

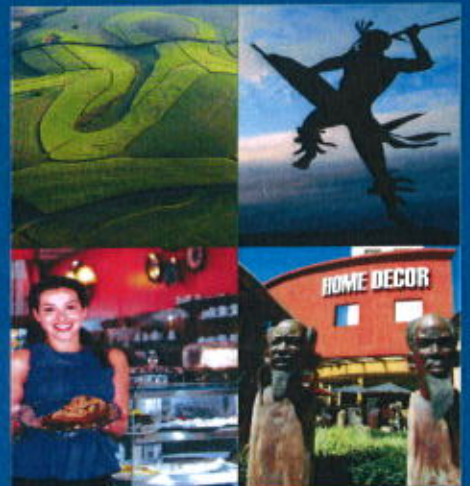


2011/12

ANNUAL REPORT FOR ILEMBE DISTRICT MUNICIPALITY

DRAFT VERSION 4

JANUARY 2013



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CHAPTER ONE:

MAYOR'S FOREWORD & EXECUTIVE SUMMARY

1.1 Foreword by His Worship, the Mayor of iLembe District Municipality

Councillor S.W Mdabe



I'm indeed honoured and privileged to have the opportunity to present the Annual Report for iLembe District Municipality for the year ending 30 June 2012. The annual report is one of the mechanisms of ensuring a comprehensive accumulation of transparency on achievements, challenges and forward looking plans made during the 2011/2012 financial year by iLembe District Municipality (IDM).

iLembe District Municipality ushered in a new era on service delivery and job creation by planning for the next 5 years and beyond at a strategic workshop session held from the 8th to 11th September 2011. The strategic planning session was a 3 day workshop that included management and political leadership of the iLembe family of municipalities to map a 5 year plan for the organisation and to inform new political leadership on the progress and challenges impacting service delivery. This was imperative given that iLembe District Municipality has completed the first 5 years of its transformation trajectory, namely the '*Accelerate*' stage and 2012 sees the activation of the next stage, namely the '*Consolidate*' stage. The 5 year strategic plan will influence all municipal processes, systems and implementation of service delivery and job creation. Alignment with National and Provincial policy was an integral part of the strategic workshop. This was critical in ensuring that iLembe District

Municipality is part of a broad government implementation strategy on service delivery and job creation.

The next five years on service delivery and job creation focuses on simplified and outcome based implementation strategies to ensure better quality of life standards for the citizens of the iLembe Family. It is against this backdrop that all business units within the iLembe District Municipality will align and report on annually. This will lay the foundation for the attainment of the next stage of iLembe's transformation trajectory, namely the '*Advancement*' target as per iLembe District 2027 Vision. Integrated Development Plans (IDPs) shall be testimony to the implementation of the 5 year plan.

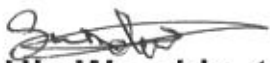
IDP reviews will incorporate specific key performance areas that will indicate performance or non-performance of the organisation in meeting its annual targets on service delivery and job creation.

Job creation is at the core of iLembe's 5 year service delivery strategic plans. Enterprise iLembe Economic Development Agency in partnership with all iLembe family municipalities seek to fast track job creation projects in various economic sectors, i.e. agriculture, tourism, manufacturing and retail/services. As part of a single performance strategy Enterprise iLembe is at the core of iLembe's 5 year service delivery strategic plans that seek to accelerate implementation of projects and create more jobs for iLembe District citizens.

Eradication of service delivery backlogs is inter- alia one of the driving factors in the next 5 years. iLembe District has enhanced its partnership with sector departments and government agencies, thorough various forms of engagements i.e. IGR and Sector alignment engagements. Furthermore iLembe District Municipality in reviewing its strategies has come to a realization that reporting consistently on this programme will provide enhanced feedback and meaningful understanding of challenges on the ground, ensuring swift mitigation measures can be developed and executed.

In ensuring that job creation through an accelerated service delivery strategy does not compromise a fragile green environment of iLembe as whole, the District is developing an Environmental Management Framework (EMF) aligning to the National Environment Management Act (NEMA) requirements. The current iLembe Spatial Economic Development Plan (ISEDPA) aligned with the EMF will create a foundation for more efficient development approval process. Enterprise iLembe has also embraced the COP 17 resolutions placing greater emphasis on integrating the green economy as part of main stream economics. The Biodiesel Manufacturing Plant demonstrates one of the many projects emanating from the green economic opportunities that Enterprise iLembe has put in place.

The outcome based approach of Performance Management System (PMS) and Integrated Development Plan (IDP) adopted by Department of Co-operative Governance and Traditional Affairs (COGTA) encouraged the strengthening of monitoring and measuring systems to ensure that the desired outcome is achieved. iLembe is excited to report on the improvement in implementation of the outcome based approach within the district as this will contribute to the 5 million goal job creation target set by President Jacob Zuma. iLembe will surely create an environment for private and international investors to see this vast area as an investment destination that can rival any part of South Africa, Africa and the World.



His Worship, the Mayor
Councillor S.W. Mdabe

1.2 Municipal Manager's Foreword



*Acting Municipal Manager:
M.D. Newton*

As the Accounting Officer of iLembe District Municipality I have great pleasure to once again report on the financial period for 2011/2012. This is significant as we are pleased to publicise our consolidated achievements, challenges and the general performance of the district municipality in line with Section 121 and 127 of the Municipal Finance Management Act (MFMA) 56 OF 2003. We are aware of the challenges that we face us as a country and as a people in terms of addressing needs and expectations of our people. In this respect, we must take into account that the global economic situation has not improved to allow developing nations like ours to accelerate economic development and address the social ills that accompanies underdevelopment.

During the period under review 2011/2012, we have dealt with issues of governance and service delivery on what needs to be done to improve the quality of life of our people, within the spirit of building a caring society. Accordingly, in the last 6 years, we have been hard at work with a single purpose of ensuring that our people enjoy their constitutional rights of having a government that cares and the District deliver services in a manner that is consistent with our obligations as a sphere of government that is closer to the people. The critical milestones of service delivery, backlogs and achievements under the National KPA: Infrastructure and Service Delivery, have been achieved despite the fact that the larger part of our District is constituted by Municipalities that are rural and have no revenue base to cross finance infrastructural projects and pay for services rendered by government.

Our ability to address all the infrastructural backlogs and achievements has been as a result of working in partnership with the Sector Departments, in particular the National Department of Water Affairs and The Provincial Department of Co-operative Governance and Traditional Affairs. It is this working partnership with sister departments and stakeholders that give us confidence that we at IDM will be able to deliver on our 2027 vision to be: **"A World Class African Destination with Excellent Services and a Quality of Life for its People"**. We are in an exciting phase in 2012, namely The Consolidation Phase of our 2027 vision which seeks to consolidate gains made since 2006/7 during the Establishment and Acceleration Phases, and steering us towards the 2017 Advancement Phase which represents the highest quality of service delivery standard.

Our experience of highly industrialized countries has been as a result of government massive infrastructural investment, which in return stimulates economic growth and development as well as job creation. One of the central advantages of our district is the question of availability of land for productive use in farming as well as for upper market property development.

In responding to the local economic development challenges, we have taken advantage of the availability and unused land for agricultural purposes by implementing agri-processing hubs in all four local municipalities. Over 17 million has been invested into this project and created more than 136 jobs, and profits are already being reaped though the sale of high quality fruit and vegetables in some established shops in Ballito.

We have also established open farms projects, which involves supporting community based co-operatives to establish viable agricultural gardens which produce vegetables such as cabbage, unions, potatoes, butternut for both community needs and sale in the market as processed products. This project has created 381 jobs through co-operatives thus far. One of the innovative projects being implemented as part of stimulating economic development in the District, through our development agency, Enterprise iLembe is the vineyards projects, which involves the establishment of a primary Villard Blanc crop that will be grown as a catalyst to the establishment of a wine industry within iLembe District. The strategic intention of this project involves the growing of grapes within local municipalities that will be used in the winery to produce wine and brand, table grapes and fruits. Over 5 million rand has been invested on vineyards that have been planted and created over 48 direct jobs. With regards to the manufacturing sector of the economy, a bio-diesel processing plant, delivering vehicle-grade diesel from used oil and from moringa seed has been initiated and 5 million has been invested into the plant, which is situated in Mandeni. We will continue to do the best that we can through our development agency, Enterprise iLembe to implement projects that are aimed at improving the living conditions of our people.

In October 2012 this year, we will convene the District Growth and Development Summit, which will be attended by all major role players in the economy, including state owned entities, the National and Provincial Planning Commission with a view of developing a new growth trajectory for our district in line with objectives and goals set out the in Provincial Growth and Development Strategy and the National Development Plan. The planning for this Summit is firmly based on identifying and committing resources to programmes and projects to be undertaken in the district leading to 2017. The intended outcome for the Summit is to create a platform for consensus building on what needs to be done to stimulate economic growth, job creation and infrastructural investment in the economy.

One of the central challenges that confront all of us in Local Government in South Africa is the issue of financial viability and management and more particularly revenue collection. Almost all Municipalities now consistently produce in-year financial reports compared to three years ago when less than 50 municipalities regularly produced quarterly financial reports. This is a remarkable achievement given that the reporting facilitates transparency, better in-year management as well as the oversight of budgets, making these reports management tools and early warning mechanisms for Councils to monitor and improve municipal performance.

The iLembe District Municipality has achieved some critical developmental and local economic milestones that are related to the strategies and policies put in place. Although much progress has been made in terms of local economic development within the District and the Local Municipalities, impact on job creation and poverty relief is still limited. Continued infrastructural and institutional support with regard to achieving sustainable settlement and development are required at the District and local municipal level, particularly in respect of addressing continued and looming backlogs.

To address the challenges we face and to maximise on the opportunities within the iLembe District the 2012/2017 IDP specifically highlights the following strategic thrusts that our plans should contribute towards :-

- Promoting investment along existing and new identified corridors.
- Promoting investment within defined nodes and specific to the functionality of such nodes.
- Promoting development and investment that contribute to the regeneration and renewal of CBDs.

- Promoting investment and re-investment in existing and identified development zones as priority areas.
- Promoting investment in industrial investment hubs and provide for sufficient, affordable, reliable infrastructure services.
- Introducing incentives that attract development initiatives.
- Encouraging settlement within the rural context along road networks and existing infrastructure.
- Developing a skills database of the District and procurements procedures in accordance with EPWP and AsgiSA principles.
- Establishing a Shared Services Model for purposes on mentoring, training and capacitation.
- Establishing and promoting PPPs.
- Establishing cooperatives to maximise economic opportunities in the agricultural sector.
- Preserving and protecting the natural environment must be preserved and protect and applying conservation management.
- Ensuring the regular maintenance and upgrade of existing infrastructure.
- Promoting Cultural Community Based tourism.
- Promoting integrated tourism development.
- Ensuring sustainable livelihoods through the integrated development of all the assets of the iLembe District, i.e. human capital, social capital, natural capital, physical capital, financial capital and political capital.

The future development of the iLembe District is focused on the following perspective:

- **Its character and personality:** iLembe is an area of scenic beauty and strong developmental contrasts. As a potential and growing tourist destination it needs to make a visual and aesthetic impact on all passers-by who will remember iLembe as a place and an experience they enjoyed.
- **Its comparative advantage:** iLembe is strategically located between two of Africa's largest trade ports, i.e. Durban and Richards Bay with the N2 eThekweni-iLembe-uThungulu Corridor, also referred to as a Multi-sectoral Service Corridor, passing through its economic core. This advantage is further strengthened by the proposed Dube Trade Port development on iLembe's southern boundary. These aspects provide for ample opportunity to attract economic investment that will benefit all the communities of iLembe and must be made widely known and propagated to promote iLembe as a prime business and development District. iLembe is also soon to embark on its development and marketing as a prime business and investment hub.
- **Its products and target markets:** iLembe has plenty of products to offer in all the economic growth sectors put forward by the KZN PSEDs, i.e. agriculture, industrial, tourism and services. These need to be clearly defined and promoted to the benefit of all the existing and future inhabitants of iLembe.

The development challenge and key issues that need to be addressed in the iLembe context revolve around the fact that the communities residing in the rural areas are more severely affected by aspects such as poverty and service backlogs than the urban community. Community development and economic empowerment should involve integrated projects of social infrastructure development, environmental management and local economic development. Empowerment programmes should essentially be focused on the rural areas. The general improvement and growth of the economy of iLembe should focus on economic development, job creation, and attraction of investment and maintenance of development

standards within the urban areas. The spin-offs would ensure the future sustainability of this area and enable the iLembe community to improve their quality of life.

1.3 MUNICIPAL OVERVIEW

1.3.1 INTRODUCTION

The Municipal Systems Act (No.32) of 2000 requires that local government structures prepare an Integrated Development Plan (IDP). Over the next 5 years the iLembe District Municipality strives for excellence, speedy service delivery committed to address the poverty and dedicated to job creation focusing on simplified and outcome based implementation strategies to ensure better quality of life standards for the citizens in the iLembe region. The new 3rd generation 2012/2017 IDP cycle marks the beginning of preparing and implementing the new 5 years strategic plan for iLembe Family of Municipalities.

The District Municipality embarked on a Lekgotla that took place in September 2011. At this strategic planning session the newly elected councillors and management were given an opportunity to evaluate all concerns, expressed their vision and their needs presented. The Strategic Planning Lekgotla Report detailed how it intends to address these concerns through service delivery targets and capital projects for the next five year. The strategic plan included strategic objectives, indicators and targets for the new 5 year cycle for each business unit under each municipal KPA. In addressing its mandate as directed by National and Provincial government's programme of action and the MECs comment(s), a new 5 year strategic plan for the organisation has influence all municipal processes, systems and implementation of service delivery and job creation as well as responded and aligned to National and Provincial policy. It is this strategic plan that will form basis of developing the performance tools for the 2012/13 financial year. The plan will incorporate specific key performance areas that will indicate performance or non-performance of the organisation in meeting its annual targets on service delivery and job creation.

Located between uThungulu (Richards bay) and eThekweni, iLembe is well located to capitalise on various opportunities stretching from local to international business. Furthermore in order to ensure a sustainable environment for the future generation the Municipality is putting necessary measures in protecting its natural environment by complying with the necessary legislation. As a commitment to the protection of the environment and sustainable development iLembe District Municipality organised the first Climate Summit in the region on the 5th of August 2010. The various issues raised at the summit indicated that iLembe District is not immune to climate change. As a coastal district it is imperative that the district prepares and adapts itself to a changing world. Sustainable development is thus at the core on how the District conduct business within the region. This initiative is important for the new Council to ensure continued effort in dealing with issues of sustainable development and climate change over the next five years and beyond. The District has through its strategic planning exercises in tandem with the local municipalities and other role players, prepared an Energy Master Plan which has identified a need for approximately R1, 8 billion worth of bulk and secondary electrical infrastructure to be constructed and administered within the iLembe District Municipality as a whole, in order to meet the present electricity backlogs being experienced within the District.

The district intends being the first District in the Country with renewable energy resources. To enable the above, the District has undertaken with assistance from COGTA to develop as follows:

1. iLembe District renewable energy development plan

2. Applying for a NERSA licence for the iLembe District Municipality.
3. Engaging and negotiating with financial sponsors and international donor organisations in order to raise the capital required.
4. Engaging and negotiating with the various technology partners within the WFE programme to find appropriate hybrid solutions and technology applications.

It is without doubt that the iLembe District is showing signs of substantial progress in terms of speedy service delivery especially in poverty stricken areas.

1.3.2 INFRASTRUCTURE SERVICE DELIVERY

Fast tracking service delivery is embedded on critical baseline information as a spring board to fast track service delivery. Base line data on backlogs has provided a strong sense of measure as Key Performance Indicator on speedy service delivery. Over the past 6 years iLembe District was able to provide clean and drinkable water to a basic level of service to 131775 people residing in 26198 households. Furthermore 131559 people residing in 26155 households were provided with basic level of sanitation.

1.3.3 ECONOMIC DEVELOPMENT

The custodian for LED within the iLembe District is Enterprise iLembe. As an organisation Enterprise iLembe (Pty) Ltd is a private company which is a municipal entity of the iLembe District Municipality. This organisation is meant to get the District's key economic stakeholders to collectively plan and implement initiatives for economic development of the area, identify the most convenient instruments for their realisation and establish a coherent system for their technical and financial support. Its main objective are:-

- a. To optimise on the regional competitive advantages of Tourism, Agriculture & Low Impact Manufacturing
- b. To develop creative mechanisms to rapidly achieve BEE targets
- c. To design an organisational vehicle to leverage catalytic economic opportunities
- d. To involve Business In functional regional economic decision-making
- e. To leverage all possible resources to the benefit of the iLembe region.

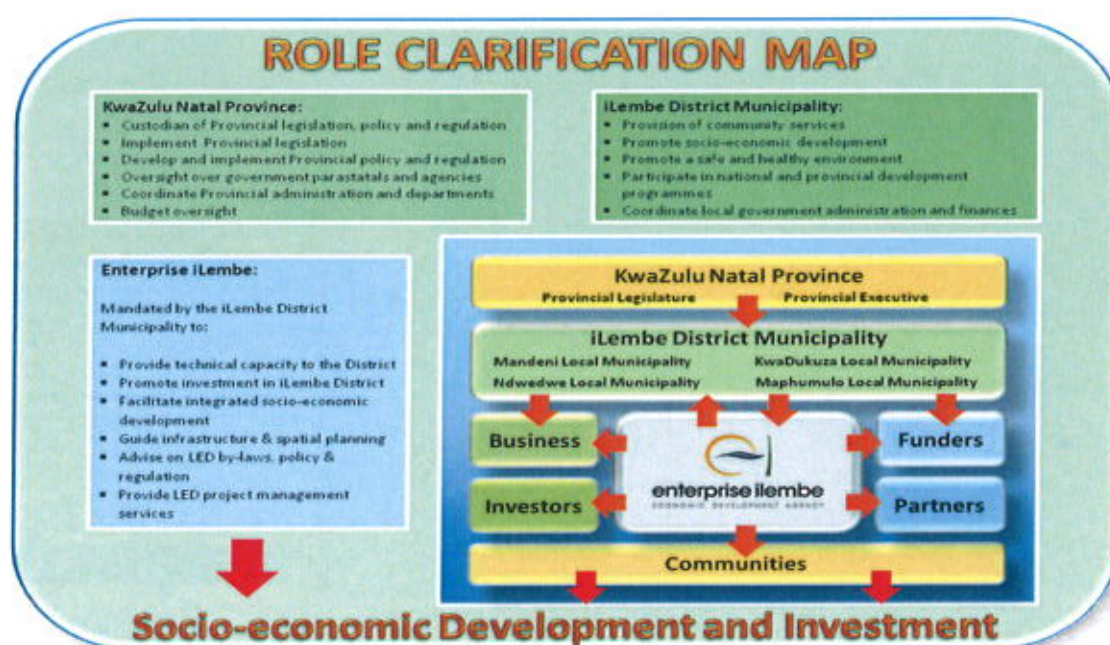


Figure 1: Role Clarification Map

Amongst the various sectors of Enterprise iLembe there has been specific projects that have been planned and implemented with Local Municipalities, and they are Tourism, Agriculture and Manufacturing. Tourism following as iLembe flagship projects i.e. King Shaka heritage route, KwaShushu hot springs in Maphumulo, Thukela Beach in Mandeni etc. In the agricultural sector there are initiatives at an advanced stage in establishing Vineyards, possible to all local municipalities. In Agricultural, hydroponic tunnels to grow vegetation also been identified as a sector that has vast opportunities for all local municipalities and can assist the region on food production. The latter is also at an advance stage with new opportunities developing every year. Aqua culture is also an area that has been identified as a niche that the region can fully exploit and take advantage of a gap in the market.

1.3.4 ILEMBE DISTRICT 5 YEAR STRATEGIC PLAN ALIGNED TO NATIONAL KPA'S & PGDS

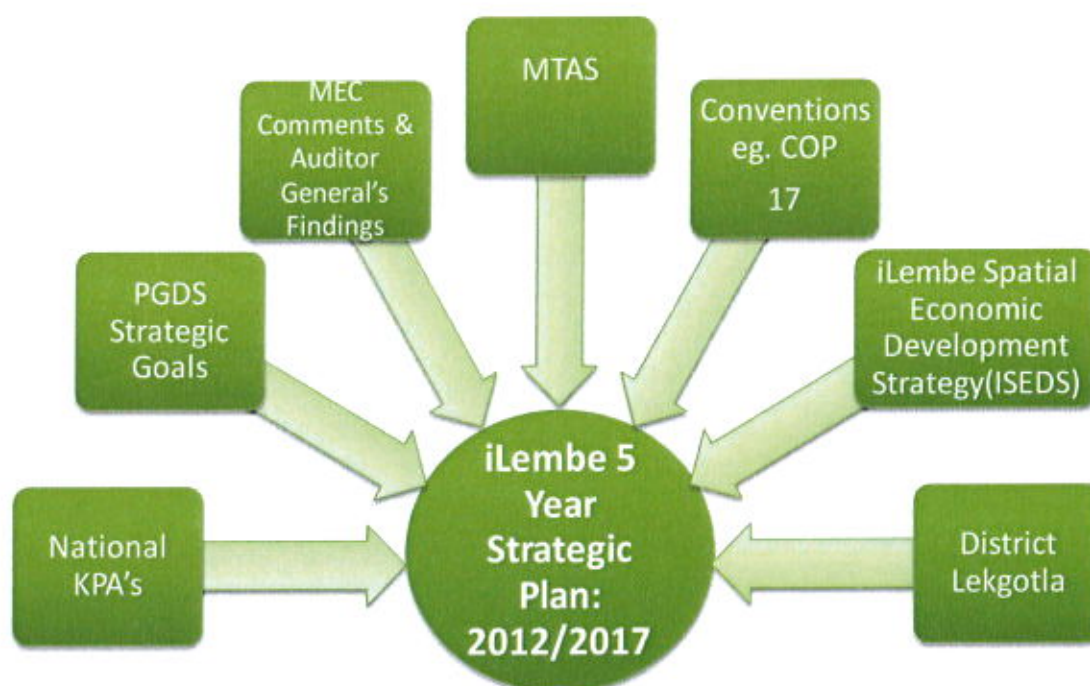


Figure 2: iLembe Strategic Plan aligned to National KPA's & PGDS

The above figure represents the strategic planning approach that the iLembe district municipality has undertaken in developing their 5 year strategic plan. The strategic approach has been informed by the following key government programmes and policies:

National Outcomes:

Outcome 1: Improve the quality of basic education

Outcome 2: A long and healthy life for all South Africans

Outcome 3: All people in South Africa are and feel safe

Outcome 4: Decent employment through inclusive economic growth

Outcome 5: A skilled and capable workforce to support an inclusive growth

Outcome 6: An efficient, competitive and responsive economic infrastructure network

Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all

Outcome 8: Sustainable human settlements and improved quality of household life

Outcome 9: A responsive and accountable, effective and efficient local government system

Outcome 10: Environmental assets and natural resources that is well protected and continually enhanced

Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World

Outcome 12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.

This PDGS provides Kwa-Zulu- Natal with a respond strategic framework for accelerated and shred economic growth through catalytic and development interventions, within a coherent equitable spatial development architecture, putting people first, particularly the poor and vulnerable, and building sustainable communities, livelihoods and living environments. The iLembe District Municipality embarked on a Lekgotla that took place in September 2011. At this strategic planning session the newly elected councillors and management were given an opportunity to evaluate all concerns and needs expressed and presented clear responses to some of the common needs and concerns raised.

The table below is detailed with iLembe 5 Year strategic objectives aligned to the National outcomes as follows:

Key Performance Area	iLembe Strategic Objectives	Outcome(s)
Infrastructure and Basic Service Delivery	<ul style="list-style-type: none"> • Improve access to basic water and sanitation services • To provide excellent water quality that will meet or exceed the National standards • Reduce unaccounted water • Improve response time to water and sanitation interruptions • Ensure continuous water and sanitation services • Improve Security of infrastructure • To meet bulk services requirements for private, existing and new housing developments • % of the municipality's annual capital budget spent on agreed IDP projects • Cumulative % of Points requiring metres that now have metres installed • Monitor Siza Water Concession contract • Monitoring and evaluation of a Siza Water 5 year review • Create job opportunities. 	<p>Outcome 8: Sustainable human settlements and improved quality of household life</p> <p>Outcome 9: Responsive accountability, effective and efficient local government system</p>
Good Governance and Democracy	<p>COMMUNICATION</p> <ul style="list-style-type: none"> • Improve communication between iLembe DM and its Communities • To ensure well established systems(model) and processes that will facilitate the deepening of democracy through ward committee <p>EFFECTIVE PUBLIC PARTICIPATION</p> <ul style="list-style-type: none"> • To facilitate the deepening of democracy through ward committee <p>To assist councillors sustain themselves.</p> <p>IGR ISSUES</p> <ul style="list-style-type: none"> • Improve the alignment of all sector plans and service delivery <p>DISASTER MANAGEMENT ISSUES</p> <ul style="list-style-type: none"> • 90% ward comm. Fully functional <p>GOOD GOVERNANCE PRACTICES</p> <ul style="list-style-type: none"> • To improve the accountability and transparency through credible 	<p>Outcome 9: Responsive accountability, effective and efficient local government system</p>

	<p>information from the IDM to public issues.</p> <ul style="list-style-type: none"> • Functionality of oversight role (shared service) on performance information <p>DESIGNATED GROUPS</p> <ul style="list-style-type: none"> • To align provincial, district and local plans addressing designated group 	
	<p>OPERATION SUKUMA SAKHE</p> <ul style="list-style-type: none"> • Implementation of Operation Sukuma sakhe. 	
Social Economic Development and Planning	<p>ECONOMIC DEVELOPMENT</p> <p>Agriculture</p> <ul style="list-style-type: none"> • To upscale farming capacity with ILembe DM • To identify champion crops and overseas markets for agri-processing and Dube Trade Port • To establish open plan sugar mills and connect to niche market <p>Tourism</p> <ul style="list-style-type: none"> • To improve the number of tourist in ILembe District <p>Manufacturing</p> <ul style="list-style-type: none"> • To increase, capacity to produce goods • To identify competitive advantage <p>Training</p> <ul style="list-style-type: none"> • To partner with FET institutions to effect focus training <p>Arts and Crafts</p> <ul style="list-style-type: none"> • To improve skills and capacity to produce crafts <p>Logistics</p> <ul style="list-style-type: none"> • To attract industrial investor into the DM <p>Job Creation</p> <ul style="list-style-type: none"> • To establish a bursary and aftercare Programme for graduates • To intensify labour base activities • To intensify labour base activities • To identify SMME groups and assists with informal economy • To establish centres of excellence to target specific industries <p>ICT</p> <ul style="list-style-type: none"> • To create an ICT platform available to everyone <p>Institution Led</p> <ul style="list-style-type: none"> • To integrate IDM and LM strategies into one strategy • To establish Shared Service for LED • To train young people of ILembe District as LED foot soldiers 	<p>Outcome 7: Vibrant, equitable and sustainable rural communities and food security for all</p>

	<p>PLANNING</p> <ul style="list-style-type: none"> • To ensure preparation of precinct plans • To prepare iLembe Regional Spatial Development Plan (IRSDP) • To identify more areas projects for Small Town Regeneration Programme • To ensure that Local Municipalities identify and prepare precinct plans • Approved RSDR • To ensure that Local Municipalities prepare intermediate plans • To ensure that wall to wall schemes are supported by Department of Agriculture • To ensure that family of IDM prepares wall to wall schemes • To ensure alignment of all family SDF and Provincial SDF • To ensure more capable staff is employed <p>ENVIRONMENT</p> <ul style="list-style-type: none"> • To establish formal community farms • To prepare EMF (Environmental Management Framework) • To ensure more capable staff is employed 	
Institutional Development Transformation	<ul style="list-style-type: none"> • Develop an HRD policy and update annually & Ensure compliance with the HRD Policy • Train illiterate employees on ABET • Increase access to programmes leading to intermediate and high level learning • Improve quality of Matriculates to meet University entry requirements • Increase access to occupationally-directed programmes within iLembe and thereby expanding the availability of intermediate level skills (with a special focus on artisan skills) • Support the training of operators to meet DWA classification requirements • Increase number of qualified artisans progressively each year through learner ships • Bring in unemployed people into learn ships so that they can be employed later • Increase employee access to high level occupationally-directed programmers within iLembe • Support the training of undergraduates to obtain honours level graduates and to obtain masters level graduates and to obtain doctoral level 	<p>Outcome 5: A skilled and capable workforce to support an inclusive growth path</p>
	<p>Support the skills and educational development of councillors that leads to formal qualifications to</p> <ul style="list-style-type: none"> • Ensure a sufficient budget that complies with the provisions of the Skills Development Act (Levy Act) • Ensure full compliance with EEA within IDM • To ensure that conflicts within municipalities are resolved before they get out of hand (and out of IDM) • To have an updated, approved and populated organogram in all critical need areas of the IDM. 	

Financial Viability and Management	<ul style="list-style-type: none"> • To raise monthly collection rate on billing • To improve on delivery/mailing of billing statements and quality of billing • To improve net revenue collected • To ensure effective management of budgeting process (realistic and credible) • To Expand revenue base (e.g. provision of bulk electricity) • To ensure compliance with SCM Policy and regulations • To increase financial viability • To ensure that the municipality remains solvent - able to cover its costs at any and all times • To manage the debtors book efficiently • To achieve a clean audit opinion. 	Outcome 9: Responsive accountability, effective and efficient local government system
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Table 1: iLembe 5 Year Strategic Objectives

In January 2009 the iLembe District Council adopted their Turnaround Plan. The Council also established a Turnaround Steering Committee which is Chaired by the District Mayor and attended by the Municipal Manager, Directors of the Finance, Corporate Governance, Corporate Services and Technical Business Units. Managers within each business unit also provide technical support to the meeting. Three Councillors also participate in the meeting. The meetings are held monthly and are well attended by all internal stakeholders.

The Steering Committee is also supported by the KZN Cooperative Governance and Traditional Affairs (COGTA) Municipal Turnaround Strategy Task Team who have provided guidance and support to the iLembe Task Team.

At a workshop held on 27 January 2012 the MTAS was reviewed and updated by the iLembe management committee. The MTAS review and update was informed by the adopted by the iLembe 5 year Strategic Plan.

The Council has appointed new MTAS Steering Committee members with the District Mayor as chaired person. The draft MTAS was adopted on 13 March 2012 by the new Steering Committee. The committee will continue to meet on a monthly basis to monitor progress.

1.3.5 ILEMBE DISTRICT MUNICIPALITY BUSINESS UNIT'S STRATEGIC PLANS

iLembe Business Plan section is an attempt to align the districts KPA with that of National Government. In addition, it is the guiding implementation plan for service delivery of the Council.

Key Performance areas of the Municipality:

1. *Monitoring Evaluation and Sustainable Environment*
2. *Service Delivery & Infrastructure Development*
3. *Good Governance and Public Participation*
4. *Local Economic Development*
5. *Municipal Transformation and Institutional Development*
6. *Municipal Financial Viability and Management*

In doing this the Municipality has clearly aligned identified challenges with key performance areas of the municipality as an element of the Performance Management System which includes Service Delivery and Budget Implementation Plan and the individual Performance Plans for Section 57 Management and all other Senior Managers. The performance of the Municipality is therefore dependent on the performance of all management. All key performance area is deliberately aligned with champions, as directors of each section in **Chapter 6** of the IDP. In this instance Senior Section 57 Management champion a section aligned with the individual Performance Plan.

1.3.6 MEC 2011/2012 COMMENTS

The MEC evaluation letter dated 25 November 2011 in response to the iLembe District Municipality 2011/2012 IDP submission, commended the Municipality with its efforts, alignment (horizontal and vertical) to achieve a Credible IDP with the exception of additional information required and areas to be improved. Overall the MEC recorded satisfaction regarding:

- the Municipality was commended on developing a Skills Retention Policy;
- the Organisational Performance Framework is well integrated into SDBIPs that aligned each of the key performance areas;
- LED is addressed at a very strategic level with the incorporation of Enterprise iLembe;
- Commended on the variety of LED projects;
- Well-articulated IDP with the overview of services, infrastructure and backlogs for current year;
- Commended on the discussion of the Renewable Energy development plan and prioritizing the capital budget on infrastructure development;
- Well-articulated financial policies that are in place;
- Commended on establishing the Auditor Action Committee;
- Participating in all intergovernmental engagements;
- Commended on SDF for aligning with PSEDs AND PGDS.

The MEC further noted the following areas which could be improved within the 2012/2013 to 2016/2017 IDP:

- Linkage between sustainable livelihoods to economic activities;
- Increase the focus on the issues of population;
- Analysis of age, population, growth rates, mortality and fertility and impact of development.

1.3.7 AUDITOR'S GENERAL RESPONSE

The Auditor-General's Report on the iLembe District Municipality Financial Management of the past three years can be summarised as follow:

Financial Year	Audit Outcome	Basis For Audit Opinion
2010/2011	Unqualified Report	With other Matters.
2009/2010	Unqualified Report	With other Matters.
2008/2009	Unqualified Report	With other Matters.

Table 2: Auditor-General's Report

The iLembe District Municipality despite receiving an unqualified audit in the 2010/2011 financial year has established an Audit Action Plan Committee in accordance with approved written terms of reference, which deals with emphasis of matters raised in the Auditor- General's report. The Audit Committee fulfils

its responsibilities as set out in section 166(2) of the MFMA. iLembe's strategic objective is to achieve a clean audit by 2014 as pronounced by the National Minister of COGTA and the Auditor-General.

1.3.8 BACKGROUND DATA

The iLembe District Municipality area (DC29) lies on the east coast of KwaZulu-Natal, between the eThekweni Metro in the south and the Tugela River mouth in the south and is traversed by the N2. At 3 260km², this is smallest of the 10 KZN district municipalities. iLembe District consists of four Local Municipalities, i.e. Mandeni, KwaDukuza, Ndwedwe and Maphumulo. Furthermore, this district is located between Africa's two great ports, i.e. Durban and Richards bay.

The District is made up of 45 Traditional Authority areas where settlement is controlled by Traditional Authorities according to a traditional land tenure system. These TA areas cover approximately 63% of the total area where the State and the Ingonyama Trust own the majority of the land within Municipality of Maphumulo, the lower reaches of Ndwedwe (69%) and coastal and inland reaches of Mandeni (49%).

The northern areas of Ndwedwe, the central corridor of Mandeni and KwaDukuza Municipality are the commercial farming hubs of the District. The commercial farming areas of KwaDukuza, Mandeni and Ndwedwe (31% of the iLembe District) are mainly under privately owned sugar cane.

Areas of urbanisation in the district comprise of KwaDukuza and Mandeni. Land uses within these areas are typically urban mixed uses with high levels of infrastructural and service development and an adequate provision of social facilities and services to support the resident populations. Industrial development is concentrated in KwaDukuza, Isithebe and Darnall, most notably the Gledhow and Darnall sugar milling operations at Stanger and the Sappi Paper mills at Mandeni.

The municipalities of Maphumulo and Ndwedwe have been formalised into towns with the remainder of the municipality still largely rural.

Despite this, the iLembe District features sufficient unique selling points to prosper within its own niche market on the following basis:

- Pristine beaches and a relatively unspoilt natural environment, undermines the claim of being "The Jewel of the Kingdom of the Zulu".
- Centrally located to the province's other major assets, i.e. Game Reserves, St. Lucia World Heritage Site, the Berg, Battle Fields and Durban. This places this District within a two-hour drive of many of KZN's natural attractions and two World Heritage Sites.
- International and local recognition and interest in King Shaka and Zulu culture and history. This diverse and rich cultural heritage has potential for growing and broad international appeal.
- Strong cultural and historical links to India, the United Kingdom and Mauritius.
- A sub-tropical climate positions it as an all year round tourism destination.
- Unique quality of the District's agricultural attributes of soil types, climatic diversity and rainfall.

The Department of Cooperative Governance and Traditional Affairs has advised that the 2001 Census be used as the official demographic resource. iLembe since 2007 however has used the WSDP as the guiding population and household demographics for the District's backlog assessment.

The Census 2001 population estimate for the iLembe is 560 388 people living in 120 390 households. In terms of the iLembe Backlog Study for 2007 the population then was estimated at 805 239 people living in 159 947 households.

Municipal Area	Census 1996	Census 2001	Backlog Study 2007
Mandeni	111 909	128 669	131 830
KwaDukuza	131 091	158 582	252 053
Ndwedwe	167 404	152 495	208 447
Maphumulo	124 703	120 642	212 909
iLembe	535 107	560 388	805 239

TABLE: Census 2001 - District Population

iLembe District Age & Gender Profile			
Age	Male	Female	Total
0 - 10	74392	73954	148346
11 - 15	35276	35914	71190
16 - 20	31990	33654	65643
21 - 30	43369	49100	92469
31 - 40	28622	37013	65635
41 - 50	19858	26127	45985
51 - 60	14153	19074	33227
61 - 70	8046	14056	22102
71 - 80	3812	8179	11991
> 80	1135	2659	3794
TOTALS	260653	299730	560382

TABLE : Census 2001 - District Age & Gender

A breakdown of the population per age cohort is indicated in the following:

	Mandeni			KwaDukuza			Ndwedwe			Maphumulo		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0 – 10	16469	16385	32855	17266	17312	34579	21619	21101	42720	19037	19155	38192
11 – 15	7673	8022	15695	7645	7938	15583	10902	10389	21291	9056	9565	18621
16 – 20	7409	7942	15351	7907	8222	16129	9551	9630	19181	7123	7860	14983
21 – 30	10952	12890	23842	16515	15550	32065	10403	12095	22498	5499	8566	14065
31 – 40	7437	9756	17193	11668	11900	23568	6010	8540	14550	3507	6818	10325
41 – 50	4586	5941	10526	7699	8189	15888	4765	6794	11559	2809	5203	8012
51 – 60	2895	3651	6546	5276	5561	10837	3714	5559	9273	2269	4302	6571
61 – 70	1475	2591	4066	2829	3419	6249	2278	4217	6495	1465	3828	5293
71 – 80	628	1310	1938	1223	1665	2888	1154	2649	3803	805	2555	3361
> 80	225	432	658	324	473	797	310	810	1120	275	944	1219

TABLE: Census 2001 - Age & Gender per Local Municipality

The following demographic characteristics, issues and challenges impact on the future development of the iLembe District and need to be taken forward in the planning process:

- In iLembe region the age and gender profile indicated that the majority of the population is between the ages of 0-10 with the total number of 148346 (26.47%). The minority of the population, with the total number being 3794, is for the elderly over 80 and this account for approximately 1%. The dominant gender in this region is females, with a population count of 299730 (53.49%), compared to males with a population count of 260653 (46.51%);
- About 67.39% of people under the age of 31 years, the iLembe District has a relatively young population. And with 50.89% being under the age of 20 years, this poses immense developmental challenges in relation to future education, health, recreation and other social issues, particularly if the impact of HIV/AIDS is added to the equation. A significant number of these children will be orphaned die to the impact of HIV/AIDS and population growth is expected to decline over the next 20 years. This must be taken into account in planning for new services and facilities;
- At least 14.4% of the population are already infected with HIV/AIDS and it is estimated that up to 1 000 people per year can be added to this figure. This will have a severe impact on the need for social and welfare services in the future.

The table below shows the unemployment rates for iLembe and the local municipalities. iLembe has an unemployment rate of 22.4% which is average for the province and the country. KwaDukuza has the lowest unemployment rate at 16% and Maphumulo has the highest unemployment rate at 30.3%.

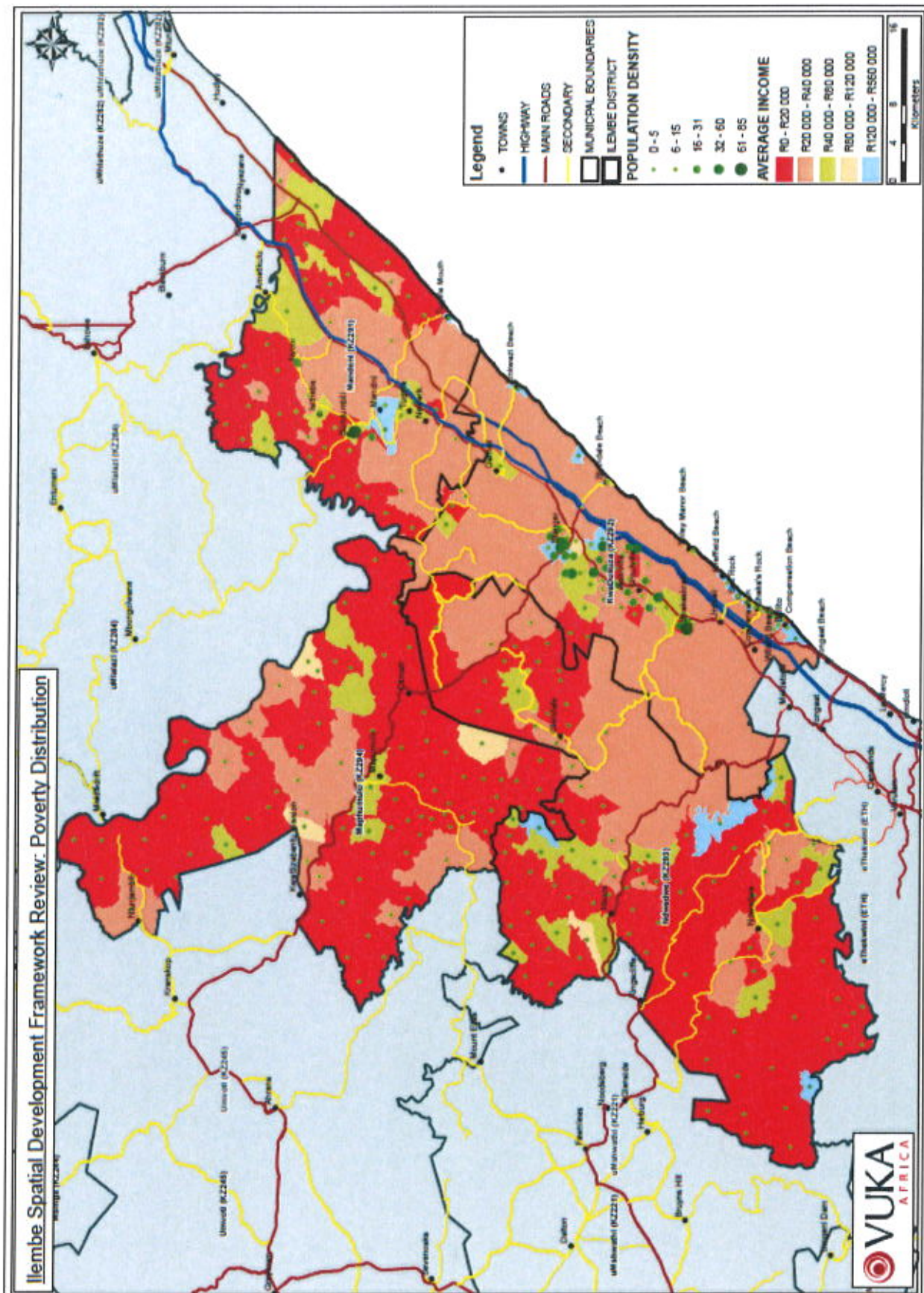
	iLembe	Mandeni Local Municipality	KwaDukuza Local Municipality	Ndwedwe Local Municipality	Maphumulo Local Municipality
Unemployment Rate	22.4%	27.5%	16.1%	30.3%	21.5%

Table : Unemployment rate, 2010

The iLembe District Municipality 10 Major causes of Death (2009) have reached epidemics. Tuberculosis features prominently in the top 3 major causes of death for the District and the 4 sub-districts. This is reflected in iLembe's TB health outcomes with the TB cure rate decreasing from 76% in 2008/09 to 70% in 2009/10 with the TB interruption rate increasing from 7% in 2008/09 to 9% in 2009/10. Complications related to TB are resulting in deaths in facilities. Patients who die from HIV / AIDS related conditions have also been found to be co-infected with other conditions with a high correlation to TB. Conditions of lifestyle e.g. diabetes, and cardiac conditions are conditions that can be controlled if medical attention is sought early and or preventative programmes are implemented. Community Health Worker Programme must be strengthened to address gaps. Some TB patients seek medical attention too late while others have a combination of conditions which impacts on clinical outcomes. TB is a social problem linked to poverty, overcrowding and poor social conditions as well as environmental factors to its increased burden. TB is weakening all the progress made in the fight against AIDS. TB is not only the number one cause of AIDS-related deaths in Africa but also the number one cause of all deaths in South Africa. Most deaths are related

to HIV /AIDS complications which require intervention from preventative and promotive health programmes e.g. CCMT, HCT, and PMTCT.

Within the District context, the most poverty stricken areas are generally the inland rural areas concentrated within the Maphumulo and Ndwedwe Municipalities. The figure below provides a spatial summary of the distribution of poverty.



MAP: iLembe Poverty Distribution

In terms of community survey, the available data indicate relatively low levels of illiteracy in Mandeni and KwaDukuza at 10.2% and 11.8% respectively and Illiteracy in Maphumulo and Ndwedwe are higher at 20.7% and 24.4% respectively.

Specific issues relating to education to be addressed include:

- the quality of education facilities;
- the infrastructure available at such facilities;
- the inability of rural areas to attract high quality educators;
- the subjects offered at schools do not prepare school leavers for the job market; and the lack of coordinated and targeted adult education and literacy programmes.

In iLembe 22% of the population have no schooling. While only 12% have matric and 5% have some form of tertiary education. These percentages are both lower than the average for KZN.

	Mandeni	KwaDukuza	Ndwedwe	Maphumulo	Total
No schooling	19012	26028	36731	32286	114058
Grade 1/sub A (completed or in process)	6306	6057	9057	8227	29647
Grade 2/sub B	4540	4840	6438	5407	21225
Grade 3/standard 1	6025	6975	8135	6419	27555
Grade 4/standard 2	7008	8018	9240	7254	31520
Grade 5/standard 3	6786	8021	8340	6634	29781
Grade 6/standard 4	6734	8269	8158	6195	29355
Grade 7/standard 5	8304	10101	9202	6561	34167
Grade 8/standard 6/form 1	8527	11068	8703	5873	34171
Grade 9/standard 7/form 2	7730	8629	7689	5016	29064
Grade 10/standard 8/form 3/NTC I	9012	10565	7291	4521	31389
Grade 11/standard 9/form 4/NTC II	6707	7482	6086	3938	24213
Grade 12/standard 10/form 5/matric./NTC III	14981	20479	8739	4853	49052
Certificate with less than grade 12	238	264	168	108	778

TABLE: CENSUS 2001 Education Levels

The above figures suggest that there is still a need for adult education facilities and programmes.

Delivery of houses to the poorest of the poor is one of the core functions of the Local Municipalities. Significant progress has been made in housing delivery to meet backlogs in the Mandeni and KwaDukuza Municipal areas, which have backlogs of 43% and 20%, respectively. There has, however, been limited progress in Ndwedwe and Maphumulo which still have a 60% and 75% backlog respectively. There is an urgent need for the development of housing plan and housing capacity within these two Municipalities. These housing plans should focus on the facilitation and coordination of housing delivery with due cognisance of the delivery of bulk and link infrastructure.

The following housing characteristics, issues and challenges impact on the future development of the iLembe District and need to be taken forward in the IDP Process:

- Some landowners, especially in KwaDukuza are encouraging shack farming as an incoming generating activity. In most of the cases these people are staying in very unfavourable and squalor conditions, with no access to water and basic sanitation.
- The provision of engineering services and infrastructure often hampers the effective development of sustainable human settlements.
- The boom in the property and commercial development along the coast of KwaDukuza has attracted many people, especially from outside the borders of KwaDukuza, in search for employment opportunities. This has resulted in the growing number of informal settlements. The lack of institutional capacity to plan for and manage housing projects.
- The lack of funding and the non-alignment of municipal and government department budgeting processes.
- Municipalities need to have bridging finance for housing projects, as well as counter funding for MIG projects. When combined these represent a large proportion of the Municipal budgets which the smaller Municipalities cannot afford.
- Dispersed settlement patterns pose a challenge in housing delivery in the Municipal areas of Ndwedwe and Maphumulo who mainly follow the Rural Housing Process.

DoHS Total Housing in iLembe District to date

Total Housing Investment	Approx. R1,8 billion
Total Number of Houses Constructed	Approx. 21 000

In terms of natural resources, the iLembe District is the smallest district within Kwa-Zulu Natal and in between uThungulu District and eThekweni Metro Council. The District lies along the coastal region of the province hence it is characterized made up of a number of unique natural environments, including the coastal forest and dune areas in the east, the remaining natural vegetation of the coastal flats, the vegetation of the incisive river valleys and steep topography with its associated fauna in the west. These environments are, however, under threat from a variety of human activities. In understanding the district region one needs to be broad based informed, understand the historic and current environment and development issues that shaped this district. In terms of institutional governance within the region, iLembe recognizes the importance of protection of its environmental assets and does acknowledges that in order to articulate the vision of the region while still committed to sustainable development, a number of action have to be taken hence:- has developed the strategic environmental atlas, is in the process of developing the environment management framework and strives to cooperatively function with all three spheres of government.

iLembe District Municipality recognizes Environmental Management as imperative in achieving the mission of the district, and strives to overcome challenges to fill in the gaps of the past. To date, the iLembe District Municipality has developed a Strategic Environmental Atlas, Integrated Environmental

Plan (2007), development of EMF, All this in line with relevant Government legislation such as the National Environmental Management Act (No. 107 of 1998 and the DEAT Series on Integrated Environmental Management (2004). Consultation with relevant stakeholders to this effect has ensured that partnerships are formed to curb the problems.

In the district we have two ecotourism destinations which is currently managed by Ezemvelo KZN as follows: Harrold Johnson Nature Reserve, Amatikulu Nature Reserve and number of conservancies.

1.3.9 COMMENT ON THE ANNUAL REPORT PROCESS:

The Annual Report is a creature of statute; in Section 121(1) of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) it is stipulated that: "Every Municipality and municipal entity must for each financial year prepare an annual report in accordance with its guidelines."

The purpose of the Annual report is to:

1. Record of activities of the activities of the iLembe District Municipality for during the year 2011/2012;
2. Report on performance against the budget of the iLembe Council for the financial year 2011/2012;
3. Promote accountability to the local community for the decisions made throughout the year by the Municipality. (Section 121(2).

From the inception of the Annual Report process, the iLembe District Municipality has fulfilled the legal requirements for the Annual Report. The new template was tested by us for 2011/2012 and has had proved to be challenging especially regarding timescales. Nevertheless, our tabling of the Annual Report, its availability for comment, the adoption of the Oversight Report, and the publishing of it will continue to be in accordance with the MFMA (Section 127 and 129).

Alignment of the key strategic documents is essential for effective municipal planning and rollout of service delivery and other district activities and we anticipate that as the timescales for the completion of the Annual Report are reduced, the IDP, Budget and Performance Management System will benefit from earlier access to, review and evaluations of the previous year's financial and other results.

CHAPTER TWO – GOVERNANCE

COMPONENT A: GOVERNANCE STRUCTURE

2.1. POLITICAL GOVERNANCE STRUCTURE

2.1.1 INTRODUCTION TO POLITICAL GOVERNANCE

The Ilembe District Municipality's council operates under the collective executive system. In terms of section 42 of the Local Government: Municipal Structures Act, 1998 the Council has established an Executive Committee consisting of five Councillors. The Council has also established the following Portfolio Committees to assist the Executive Committee:-

- ❖ Economic Development and Planning Portfolio Committee
- ❖ Amenities, Safety and Security Portfolio Committee
- ❖ Infrastructure and Technical Portfolio Committee
- ❖ Finance Portfolio Committee
- ❖ Local Public Administration and Labour Relations Portfolio Committee

Each of these committees is established in terms of the section 80 of the municipal structures Act to assist the executive committee. These committees deliberate on matters that fall within the specific terms and references of that particular committee and make recommendations to the Executive committee for an approval or where necessary for endorsement by the executive committee for final approval by the full council.

There are delegations in place for the operations of the executive committee with the exception of the power's provided to council in terms of Section 160(2) of the constitution of the republic of South Africa, 1996. The District Executive Committee can only make recommendation for approval of such matters.

To assist in performing the oversight role, the Ilembe District Municipality has also appointed the

- (i) Audit Committee in accordance with the Municipal Finance Management Act 56, of 2003 section 166, and operates within the terms of the Audit Committee Charter, which outlines the modus operandi. The Audit Committee charter is approved by the council of Ilembe District Municipality.
- (ii) A Municipal Public Accounts Committee. The Committee consists of 6 Councillors of the Municipality, who are not members of the Executive Committee. The Chairperson of the Committee is appointed by the Council from an opposition Party on the Council. The functions of the Committee include the examination of the annual report of the Council and the development of the annual oversight report based on the annual report. The annual oversight report is published separately from the annual report.

2.1.2 POLITICAL STRUCTURE

Following the Municipal election in May 2011 there were some changes to the political structure within the Ilembe District Municipality. The following is the new structure after the 18 May 2011 elections.

THE HONORABLE MAYOR



His Worship the Mayor:
Cllr. W.W. Mdabe

THE HONOURABLE DEPUTY MAYOR



Cllr M.D. Shandu

FORMER SPEAKER
(JUNE 2011 – MAY 2012)



Cllr M.W. Sithole

NEW SPEAKER
CURRENT



Cllr T. Msweli

EXECUTIVE COMMITTEE

- ❖ Cllr S.W. Mdabe (Chairman) (ANC)
- ❖ Cllr M.D. Shandu (Deputy Chairperson) (ANC)
- ❖ Cllr A. Badul (ANC)
- ❖ Cllr T.J Zondo (ANC)
- ❖ Cllr N.J. Nkwanyana (IFP)

2.1.3 COUNCILLORS

The Ilembe District municipality comprises of a total of 30 councillors of which 18 are ward nominated councillors and the other 12 are Proportionally Representatives (PR) councillors. Council continues to operate on an Executive Committee System. In respect of the PR councillors, there are 6 males and 6 female councillors, and on the ward councillors there are 8 females and 10 males, making it a total of 14 female councillors and 16 male councillors

Political Parties are represented as follow on council: -

PARTY	PR SEATS	WARD SEATS	TOTAL
African National Congress	8	13	21
Inkatha Freedom Party	2	4	6
Democratic Alliance	1	1	2
National Freedom Party	1	0	1

Note: **Appendix A** list all the appointed councillors
Appendix B sets out committees and committee purposes

2.1.4 POLITICAL DECISION-TAKING

The Portfolio Committees of the Council do not have any executive powers.

Matters that fall within the functional areas of Portfolio Committee are submitted to the relevant Committee for consideration and the development of recommendations. Those recommendations are then submitted to the Executive Committee which disposes of the matter if it falls within its delegated powers or refers the recommendation, with or without amendment, to the Council for determination.

Processes are in place to ensure that all decisions are implemented.

2.2 ADMINISTRATIVE GOVERNANCE STRUCTURE

2.2.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

According to the MFMA 60(b): The Municipal Manager of iLembe District Municipality is the accounting officer of the municipality for the purposes of this Act and provides guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality, namely Enterprise iLembe.

The iLembe District Municipality and its four Local Municipalities have relatively well established organisational structures and systems in place. All of the Municipalities have appointed Municipal Managers. On-going institutional support around issues of planning, project management and financial management are required within these Municipalities. The current structure of the iLembe District Municipality is reflected in the diagram that follows. This structure put in place is considered to be appropriate for the developmental local government mandate assigned to the District Municipality in terms of the Municipal Structures Act, 1998. With this in mind the Municipality's organisational structure provides for four Directorates that are managed by the Municipal Manager. The District Municipality employ 459 staff members and the four Directorates are:

- ❖ Corporate Governance
- ❖ Finance
- ❖ Technical Services
- ❖ Corporate Services

The MM and the Directors, work together corporately in their thematic and service group roles to make the greatest impact on service delivery throughout the District.

2.2.2 TOP ADMINISTRATIVE STRUCTURE

I) ACTING MUNICIPAL MANAGER

Mr MD Newton

II) DIRECTOR: FINANCE

Ms Nosipho Mba

III) DIRECTOR: CORPORATE GOVERNANCE

Mr. Ernest Shoji (Resigned in June)

IV) ACTING DIRECTOR: TECHNICAL SERVICES

Mr. Notha Maphumulo

V) DIRECTOR: CORPORATE SERVICES

Mr. Ayanda Makhanya (resigned in July)

The following institutional characteristics, issues and challenges impact on the future development of the iLembe District and need to be taken forward during the next financial year:

- ❖ The integration of the Employment Equity Act and the Skills Development Act on the human resources function of the iLembe District Municipality.
- ❖ The development of the skills of the staff of the Municipality is viewed as a key issue to be addressed in future planning activities. These skills must specifically relate to the developmental goals which the council will identify.
- ❖ Establishing improved management processes, for example knowledge management, organisational structure and project management.
- ❖ Continuing to improve on information provided to decision makers.
- ❖ The collection and generation of the relevant District economic data remains a major challenge. At present, there is no systematic and sustained initiative for the collection or updating of economic data. As a result, the District relies on service providers and information is collected on a project-by-project basis.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The MSA S3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisage in the Constitution S41.

Intergovernmental Relations (IGR) as provided by the Intergovernmental Relations Framework Act, 2005 stands for ensuring a cooperative and coordinated service delivery within all 3 spheres of government (National, Provincial and Local government).

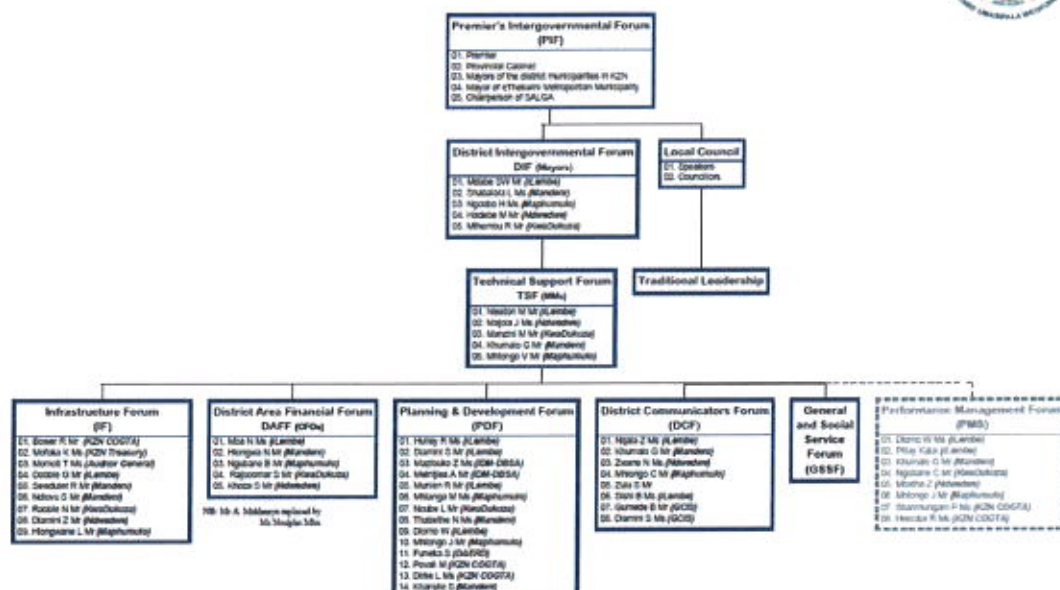
2.3.1 INTERGOVERNMENTAL RELATIONS

2.3.1.1 PROVINCIAL INTERGOVERNMENTAL STRUCTURE

To ensure specialty and functionality of IGR, the District, as guided by the IGR Act has the following structures classified according to functions and authority as depicted in the organogram below. This structure ensures coordination in the functions of the District family of municipalities. It has provided a platform for the District municipalities to plan and synchronize all their actions as defined in their respective IDP documents.



Intergovernmental Relations Framework Implementation
iLembe District Intergovernmental Forum



The organogram above illustrates the hierarchy of IGR sequence from Local to Provincial Government level.

DAEARD is engaged with the IDM in a number of activities such as promoting and distributing green light activities to holding road-shows. As such the Department hosted 5 Road-shows within the district. The key sectors were health, agriculture, environment and tourism.

DAEARD has procured a greening project for the Hlomendlini ward. Project details as follow: 300 households have been selected in the Hlomendlini ward to be greened .Each household will be provided with two trees one indigenous and one fruit tree. 18 community workers will be selected from the local area to implement this project. Implements have also been procured for the community workers DAEARD. Hlomendlini ward has been greened for the past two years by the above mentioned development in the implementation of phase one and phase two.

Cop17 side event

iLembe District Municipality (IDM) hosted the COP 17 Side event on 8th December 2011 at KwaDukuza Recreational Grounds. This major event was part of the UN "Sustainable Energy for All" initiative whereby members of the UN Country Team in South Africa have agreed to design a joint project on integrated community level sustainable energy access and launch it in the side line of CoP17 negotiations. According to the IDM mayor, "we welcome the continued emphasis placed by the United Nations Secretary-General and the UN system on sustainable energy as central to achieving sustainable development.

iLembe District Municipality and its family of local municipalities have collectively declared a 'war on poverty'. This event demonstrated the collective effort of the IDM and its local municipalities in hosting the launching of the project on integrated community level sustainable energy access on 8th December 2011 in Grout Ville, iLembe District. The beneficiaries of this pilot project in iLembe have been,

- ❖ Solar water heaters (SWHs) for health clinics
- ❖ Efficient low pollution cook stoves for 30 households
- ❖ Low power consuming Light Emitting Diode (LED) systems for 30 households.

It is the long term intention of the IDM and Local Municipalities together with the international development agency partners of the project to use this pilot demonstration project as a means to garner public and private sector support. The goal is to expand and scale up integrated community level sustainable energy access throughout the iLembe Region because energy is power and access to energy transforms lives by helping people generate income, provide health care services, improve education and protect the environment.

The District has the responsibility to play a coordinated role in the delivery of government's programmes and projects. In an effort to achieve this District holds several Sector alignment meetings bi-annually to coordinate these sector plans.

2.3.2 DISTRICT INTERGOVERNMENTAL STRUCTURES

IGR in the IDM was initially introduced in 2006 and has since developed fully. There is coordination in the functions of the District family of municipalities. It has provided a platform for the District municipalities to plan and synchronize all the programme and or projects that are inter-reliant as provided by the IDPs.

There are 10 Fora within the district, with the District Intergovernmental forum being the highest authority. All Fora are constituted by senior officials from the Local Municipalities, District Municipality, Provincial and National sector Departments. Each forum meets as indicated in the structure above to discuss issues pertaining to its portfolio and functions with an aim to devise a plan on how these entities can collectively work towards achieving their respective IDP objectives and National priorities/outcomes.

The Sub-Fora then report to the Technical Support Forum (made up by Municipal Managers) for discussion and recommendation. The Technical Support Forum in turn reports to the District Intergovernmental Forum (Mayors Forum).

During the year 2011/2012 the following achievements are noted, namely;

- ❖ Signed District IGR Protocol Agreement
- ❖ IDM Development Planning Shared Services unit
- ❖ Synchronized Plans for Housing and Sanitation Projects
- ❖ Cooperative approach towards LED growth and enhancement
- ❖ Sharing of best practices and systems

During the year 2011/2012 the following challenges have been highlighted and will be addressed during the next financial year, namely;

- ❖ Limited human resources which hinder commitment to attend from members.
- ❖ Diary synchronization is a challenge.

2.3.3 RELATIONSHIPS WITH MUNICIPAL ENTITIES

2.3.3.1 ENTERPRISE ILEMBE

iLembe Management Development Enterprise (Pty) Ltd (aka Enterprise iLembe) is a private company which is a municipal entity of the iLembe District Municipality, meaning that all the shares in Enterprise iLembe are held by the Municipality. The Municipal Systems and the Municipal Finance Management Acts provide for the establishment of a local economic development agency as a possible special purpose organization to promote the local economy.

LED agencies are special implementation vehicles created by municipalities and other stakeholders to achieve their common objectives. The role of the agency to implement the local economic development policy set out in the Integrated Development Plan (IDP). The agency may recommend policy to elected members, but it is not mandated to make policy on behalf of the people the communities have elected to be their representatives.

The Agency has the following governance structure in place, namely;

Board of Directors: Being a private company which must comply with both the Companies Act, as well as the Municipal Finance Management Act (MFMA), the agency is governed by a Board of Directors who are appointed by the Executive Committee of the District Council. The Board has full governance and management oversight as per the normal legal framework. However the Board is regularly required to account to its shareholders the District. The details of the mechanisms for accounting are set out in the MFMA as well as in the Service Level Agreement entered into between the agency and the District.

The District calls for nominations of the Board members via public process. The submissions are then assessed by the Council's Executive Committee which uses a number of criteria for selection of which skills and value added capability are the most important.

Other Committees: The Board includes Finance and Risk Committee and an Audit Committee as required by the MFMA. In addition there are procurement committees as required by the MFMA and Supply Chain Management Policy framework for Local Government

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

2.4.1 COMMUNICATION, PARTICIPATION AND FORUMS

During the year 2011/2012, 30 legislated IDP public consultation meetings were held during the course of the year far exceeding the intended baseline of 8. This demonstrates the joint co-ordination and collaboration of the District and the local municipalities. Attendances at meetings were diverse and participants raised issues that were subsequently taken up in the drafting of IDPs.

Integrated Development Plan (IDP) public participation meetings held in the Local Municipalities with their Representative Forums on matters related to the iLembe District IDP reaffirmed the needs and challenges that need to be taken up and addressed through the iLembe District IDP and its budget allocations.

The iLembe District Municipality has a District Wide Ward Forum which is formed by the 5 representatives of Ward Committee Members from each local municipality. It also serves as the Water Forum for the municipality. This Forum meets on quarterly bases where there is a sharing of information on issues of development and challenges in relation to water and sanitation provision.

The following are the list of meetings held in the 2011/12 financial year: -

PUBLIC MEETINGS				
DATE	LOCAL MUNICIPALITY	VENUES	TIME	STAKEHOLDERS
10/05/2012	Mandeni	Nced'omhlophe Sports Ground	12H00	Ward Committees ,Councilors, Amakhosi, CDWs
10/05/2012	Mandeni	Mandeni Municipality Hall	17H00	Rate payers and Business Community
14/05/2012	KwaDukuza	Siza Water Training and Conference Centre.	17H00	Rate Payers, Business Community
16/05/2012	Maphumulo	Sakhuxolo Hall	10H00	Ward Committees , Councillors, Amakhosi, CDWs
19/05/2012	Ndwedwe	Nombika Sports Ground	10H00	Ward Committees, Councillors, Amakhosi, CDWs
22/05/2012	KwaDukuza	iLembe Auditorium	11H00	Ward Committees, Councillors, Amakhosi, CDWs

PUBLIC MEETINGS				
MUNICIPAL	PARTICIPANTS	DATE	VENUE	TIME
Mandeni	Ndulinde (6,11,10,16,17)	21-Oct-11	KwaNgcobo Sports Ground	12h00
	Organised Groups- Associations	21-Oct-11	Municipal Hall	17h30
	Macambini wards (1,2,3,8,9)	16-Nov-11	Macambini Sports Ground	12h00
	Sundumbili (5,7,12,13,14,15)	18-Nov-11	Nced'Omhlophe Stadium	09h00
	Hlomendlini	19-Nov-11	New Ark Primary School	10h00
	Sithebe	30-Oct-11	Steel Window	10h00
KwaDukuza	All wards	27-Oct-11	iLembe Auditorium	12h00
	Organised Groups- Associations	31-Oct-11	IDM Council Chamber	17h30
Maphumulo	5,6,2,3	08-Nov-11	Emathafeni Sports Ground	12h00
	1,2,3	09-Nov-11	Ntunjambili Hall	12h00
	3,4,7,8,9,10,11	10-Nov-11	Thusong Centre	12h00
Ndwedwe	ward 1,2,3,4,7,8	25-Nov-11	Marry Gray Sports Ground	12h00
	ward 5,6,9,10,11,12	22-Nov-11	Ozwathini Sports Ground	12h00
	ward 16,17,13,14,15,18,19	24-Nov-11	kwaL Sports Ground	12h00

2.5 IDP PARTICIPATION AND ALIGNMENT

The MEC evaluation letter dated 25 November 2011 in response to the iLembe District Municipality 2011/2012 IDP submission, commended the Municipality with its efforts, alignment (horizontal and vertical) to achieve a Credible IDP with the exception of additional information required and areas to be improved. Overall the MEC recorded satisfaction regarding:

- ❖ the Municipality was commended on developing a Skills Retention Policy;
- ❖ the Organisational Performance Framework is well integrated into SDBIPs that aligned each of the key performance areas;
- ❖ LED is addressed at a very strategic level with the incorporation of Enterprise iLembe;
- ❖ Commended on the variety of LED projects;
- ❖ Well-articulated IDP with the overview of services, infrastructure and backlogs for current year;
- ❖ Commended on the discussion of the Renewable Energy development plan and prioritizing the capital budget on infrastructure development;
- ❖ Well-articulated financial policies that are in place;
- ❖ Commended on establishing the Auditor Action Committee;
- ❖ Participating in all intergovernmental engagements;
- ❖ Commended on SDF for aligning with PSEDs AND PGDS.

In improving coordination, integration and alignment with the budget/organisational performance management system a Business Plan strategic section has been included in the 2011/2012 IDP review. iLembe Business Plan section is an attempt to align the districts KPA with that of National Government.

In addition, it is the guiding implementation plan for service delivery of the Council.

Key Performance areas of the Municipality:

- ❖ Monitoring Evaluation and Sustainable Environment
- ❖ Service Delivery & Infrastructure Development
- ❖ Good Governance and Public Participation
- ❖ Local Economic Development
- ❖ Municipal Transformation and Institutional Development
- ❖ Municipal Financial Viability and Management

In doing this the Municipality has clearly aligned identified challenges with key performance areas of the municipality as an element of the Performance Management System which includes Service Delivery and Budget Implementation Plan and the individual Performance Plans for Section 57 Management and all other Senior Managers. The performance of the Municipality is therefore dependent on the performance of all management. All key performance area is deliberately aligned with champions, as directors of each section in Chapter 6 of the IDP. In this instance Senior Section 57 Management champion a section aligned with the individual Performance Plan.

The iLembe IDP forms the basis of the PMS and provides the institutional analysis and assessment of the Municipality's capacity, ability, resources, systems and procedures in developing and implementing a PMS. Essentially developing the iLembe PMS implies that a framework is developed that describes and represents how the Municipality's cycle and performance planning, monitoring, measurement, review and reporting will happen, be organised and be managed, whilst determining the roles of different role players.

The SDBIP marries the Performance Management System (as required under the Municipal Systems Act) with the budget and the IDP. Thus the strategic direction mapped out in the IDP is matched with financial resources and delivery of services as specified in the PMS. The requirement for an SDBIP is stated in the MFMA, Section 69.3(a) and is the responsibility of the Accounting Officer or the Municipal Manager. It can of course be delegated under Section 79. Put simply the SDBIP allows the budget to be implemented fully as it identifies:

- ❖ The Strategic Imperative – Through links with the IDP.
- ❖ The Financial Imperative – Through links with the budget.
- ❖ The Performance Imperative – Through links to the PMS.

The National Treasury Circular 13 describes in detail the approach to SDBIPs. Basically there is a high level SDBIP for the purposes of high level monitoring by stakeholders, backed by full detail all the way to the individual employee. Starting from the top (the MM), all staff operate under KPIs within the identified KPAs. In effect the SDBIP becomes the implementation tool for the budget and the basis for non-financial monitoring.

At the highest level every vote could be aligned to an IDP strategy and some KPIs. These then form the basis of future monthly and in year reporting. The state of play at iLembe is that the budget is already married to the IDP and performance indicators are developed for each vote or capital project.

The municipality embarked on a strategic planning session in September 2011, where a 5 year strategic plan was developed and included Indicators and targets for the 5 years for each business Unit. It is this strategic document that will form basis of developing the performance tools for the 2012/13 financial year.

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

COMPONENT D: CORPORATE GOVERNANCE

2.6 CORPORATE GOVERNANCE

2.6.1 OVERVIEW OF CORPORATE GOVERNANCE

The strategic mission of Corporate Governance is to enable political office bearers to fulfil their constitutional functions and electoral mandate by:-

- ❖ Providing professional, effective and efficient support services to the three principals in support of their obligations;
- ❖ Effectively planning and overall co-ordination and monitoring public participation process through activities of public hearings and Public meetings;
- ❖ Ensuring effective functioning of Ward Committees in the district;
- ❖ Monitoring and evaluation of programmes, reporting on actual performance against what was planned according to the IDP priorities and SDBIP;
- ❖ Liaising with other state departments and Local Municipalities in pursuance of goals and objectives enshrined in the constitution, section 41, Chapter Two, Co-operative Governance and intergovernmental relations Framework Act, 2005;
- ❖ Rendering support services, speech writing, protocol and ceremonial services, as well as communication services to the office of the Mayor, Deputy Mayor and Speaker and Municipal Manager and other Directorates within the municipality.

2.6.2 RISK MANAGEMENT

The MFMA S62(i)(c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

The focus of risk management in the iLembe District Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality.

While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Responsibility for the risk management resides mostly with line management in all departments however every employee is responsible for risk management.

Risk Assessment workshops with management was conducted with an aim of ensuring that management understand the importance of managing risks for the benefit of the Municipality. The Municipality has put in place mechanisms to identify and assess risks and developed specific mitigating strategies, plans or actions should the need arise; and we also record, monitor and review risks continuously.

The Executive Committee has adopted a Risk Management Policy and Framework that enables management to proactively identify and respond appropriately to all significant risks that could impact on municipal objectives.

The Municipality has the Manco Risk Management Committee which is made of the Municipal Manager, Head of Departments, Risk Officer and it is chaired by the external member. The committee's role is to guide the development and implementation of Risk Management and to review and monitor ERM processes and outputs regularly. The committee brings serious risks to the senior manager's attention, which contributes to a more informed decision-making process.

The top 5 strategic residual risks facing the municipality are as follows:-

1. Financial Management: Revenue Management
2. Financial Management: Supply Chain Management
3. Business Process: Intergovernmental Relations
4. Water Services: Water and Sanitation Services
5. Personnel: Skills Attraction and Retention

The top 5 operational risks facing the municipality are as follows:-

1. Financial Management: Supply Chain Management
2. Business Support: Information Technology
3. Water Services: Water Quality
4. Financial Management: Fleet Management
5. Financial Management: Assets Management

2.6.3 ANTI-CORRUPTION AND FRAUD

2.6.3.1 FRAUD AND ANTI-CORRUPTION STRATEGY

The Council has adopted an Anti-Corruption Strategy and Fraud Prevention Plan which compliments the National Anti-Corruption Strategy and supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy.

The policy gives effect to the various legislative instruments relating to fraud and corruption and, in addition, provides guidelines as to how to respond should instances of fraud and corruption be identified.

Furthermore, the Council has put in place a Fraud Prevention Hotline which is manned separately from the Municipal structures to insure total independence.

The Council has also established the following structures to assist it in fulfilling its oversight role. Both of the structures have as part of their mandate the identification of possible instances of fraud and corruption:-

1. An Audit Committee which excludes politicians and officials as voting members. The Audit Committee Charter requires that the Committee report twice annually to the Council.
2. A Municipal Public Accounts Committee. The Committee is made up of non-executive Councillors and is Chaired by a Councillor from a party other than the majority party.

2.6.4 SUPPLY CHAIN MANAGEMENT

2.6.4.1 OVERVIEW SUPPLY CHAIN MANAGEMENT

Sections 6(1) and (2)(a)(i) of the Municipal Supply Chain Management Policy states that; the council reserves the right to maintain oversight over the implementation of the SCM Policy; for the purposes of such oversight, the accounting officer must :-

- (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy and that of a municipal entity under the sole or shared control of the municipality to the council of the municipality; and,
- (ii) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

The report on the implementation of the supply chain management policy for the financial year of 2011/12 was submitted to council.

2.6.5 BY LAWS

By-laws Introduced during 2011/2012				
Newly Developed	Date Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	Date of Publication
No		Yes		24/11/2009

2.6.5.1 WEBSITES

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	<Yes / No>	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	21-Mar-2011
All current budget-related policies	Yes	04April 2012
The previous annual report (2010/2011)	Yes	
The annual report (2011/2012) published/to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2011/2012) and resulting scorecards	Yes	16 July 2012
All service delivery agreements (2011/2012)	No	
All long-term borrowing contracts (2011/2012)	No	
All supply chain management contracts above a prescribed value (give value) for 2011/2012	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2011/2012	No	
Contracts agreed in 2011/2012 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in 2011/2012	No	
All quarterly reports tabled in the council in terms of section 52 (d) during 2011/2012	No	

2.6.5.2 COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

As per the requirement for Municipal websites as set out in MFMA section 75 the IDM website has made significant strides towards meeting these requirements.

2.7 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

In August 2011, the iLembe District Municipality commissioned a customer perception survey to assist in establishing the current state of development in the iLembe District Municipality and the local municipalities that falls within its area of jurisdiction.

This Perception Survey forms only one of the components of the overall assessment of the state of development and it serves to record the perception on the residents of the family of municipalities.

The Perception Survey surveyed the perception of the residents with respect to a broad range of topics from the state of services in the area to a perception of the municipalities itself and also its Councils.

The findings provided the iLembe District Municipality with the necessary statistical information to note the perception of the people of the district in order to evaluate the Municipality's performance and how this affects the life of the occupants under its jurisdiction. However, the report therefore does not express an opinion on whether the perceptions of the residents are accurate or even mis-directed. It merely records the thoughts and opinions of the residents as expressed through the survey, right or wrong.

The analysis presented in the findings showed that the majority of people interviewed in the district are not satisfied with a range of services provided by the district. The discontent or unhappiness of residents in iLembe District concerns almost all departments, services and amenities of the district and its local municipalities. This is a challenge that requires serious and urgent interventions if iLembe District and its four local municipalities is indeed going to adhere to its constitutional obligation of promoting socio-economic development in its area of jurisdiction.

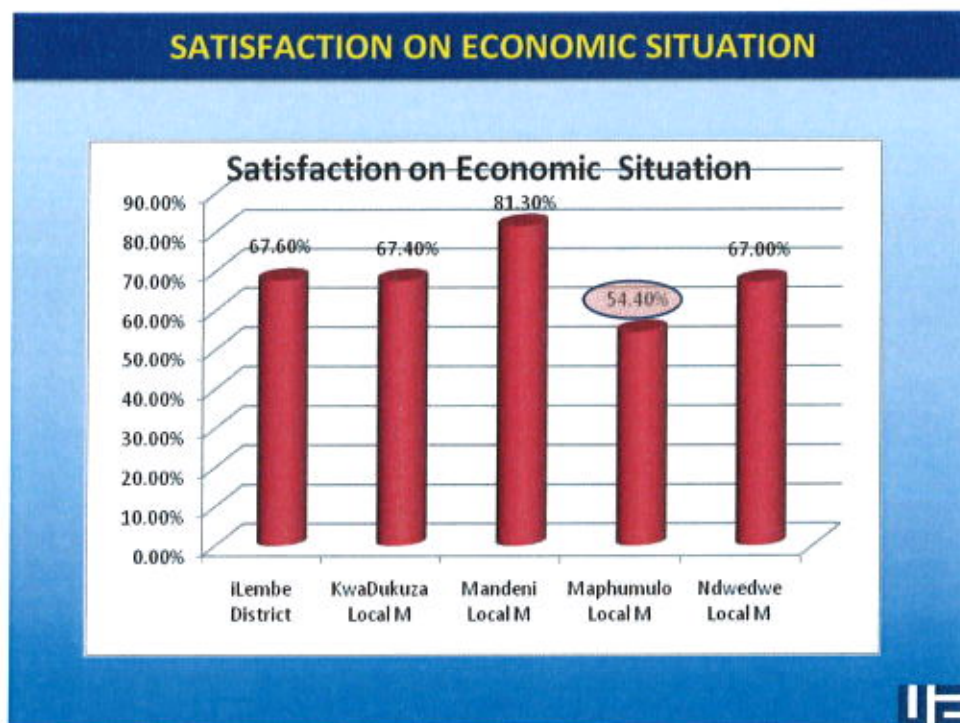
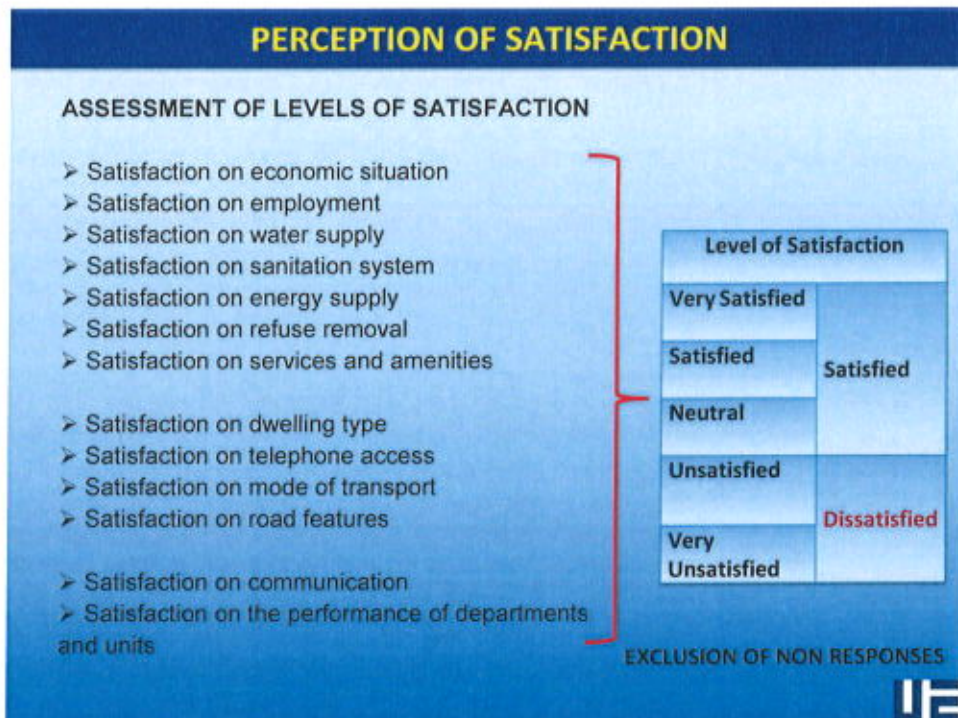
iLembe residents have suggested a number of recommendations to be considered by officials to improve lives of many in the district. These include among other things the following:

- ❖ Officials need to always communicate with people before taking any crucial decision affecting their lives,
- ❖ iLembe District needs to clear all backlogs related to the provision of water, electricity, toilet and RDP houses,
- ❖ The district needs to follow the path of the Growth Path Policy and create more and better jobs for all its citizens,
- ❖ People have been waiting for service delivery for a while, therefore officials must have a sense of urgency and must have commitment to work hard like in private sector, and finally
- ❖ District must do more researches to understand the needs of the citizens.

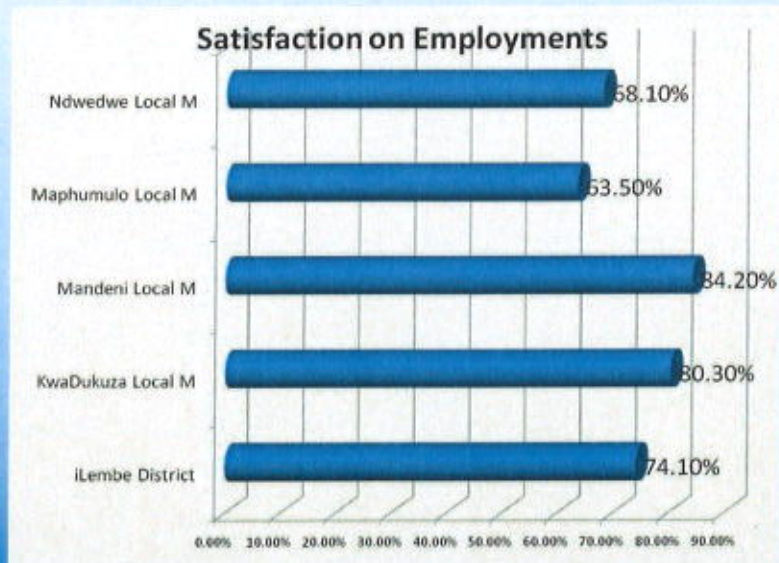
- ❖ District wide Solution Driven and an Implement able Development Plan (across all departments) needs to be drawn up to improve the current performance of the district and to speed up much needed services by its people.

Satisfaction Surveys Undertaken during 2011/2012				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	62.4% females and 37.6% males.
(a) Municipality	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	82%
(b) Municipal Service Delivery	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	82%
(c) Mayor	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	82%
Satisfaction with:				
(a) Refuse Collection	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	60%
(b) Road Maintenance	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	45%
(c) Electricity Supply	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	50%
(d) Water Supply	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	40%
(e) Sanitation	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	60%
(f) Information supplied by municipality to the public	Questionnaires, random selection of household heads, focused on perception with current services.	August 2011	The survey a total of 850 people that is 200 per local municipality.	37%
(g) Opportunities for consultation on municipal affairs	Questionnaires, random selection of household heads, focused on perception with current services.		The survey a total of 850 people that is 200 per local municipality.	This was not included in the questionnaire.
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				

The following forms part of the analysis received from the survey conducted:-

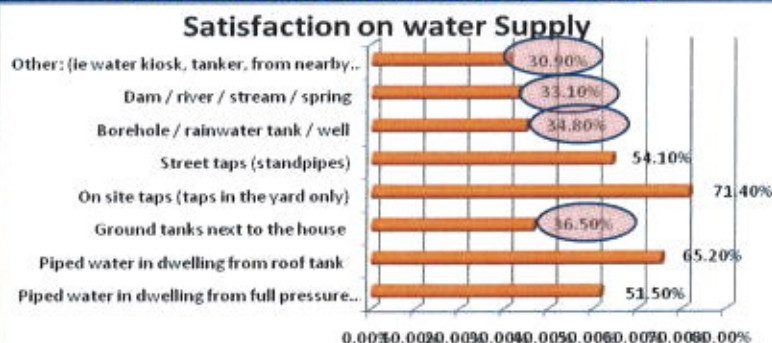


SATISFACTION ON EMPLOYMENTS



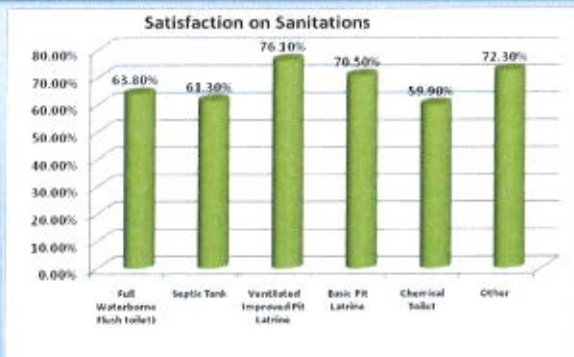
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SATISFACTION ON WATER SUPPLY



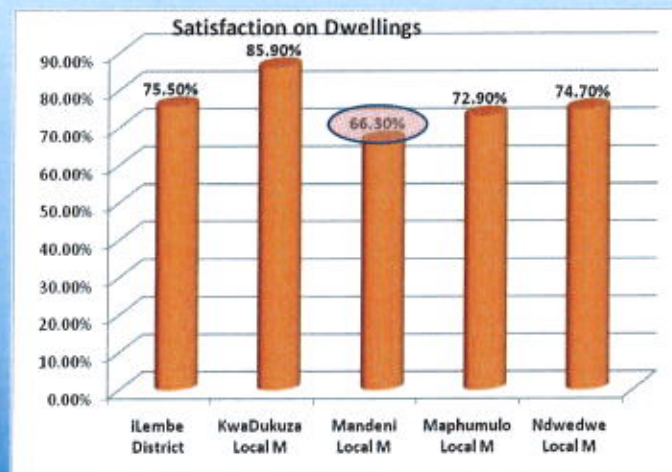
Types of Water Supply	Local Municipalities			
	Kwadukuza	Mandeni	Maphumulo	Ndwedwe
Piped water in dwelling from full pressure pipes	62.10%	29.50%	14.30%	100.00%
Piped water in dwelling from roof tank	47.80%	97.90%	33.30%	
Ground tanks next to the house	71.40%	31.50%	42.90%	81.80%
On site taps (taps in the yard only)	84.60%	38.20%	79.20%	83.70%
Street taps (standpipes)	84.90%	50.00%	24.30%	57.10%
Borehole / rainwater tank / well	88.10%	51.10%	0.00%	0.00%
Dam / river / stream / spring	87.50%	44.80%	0.00%	
Other: (ie water kiosk, tanker, from nearby house)	95.50%	26.00%	-	-

SATISFACTION ON SANITATIONS



Types of Sanitations	Local Municipalities			
	Kwadukuza	Mandeni	Maphumulo	Ndwedwe
Full Waterborne Flush toilet	68.60%	55.50%	78.60%	52.60%
Septic Tank	39.10%	47.60%	66.70%	91.70%
Ventilated Improved Pit Latrine	91.10%	54.70%	80.00%	78.60%
Basic Pit Latrine	52.90%	54.10%	100.00%	75.00%
Chemical Toilet	45.70%	40.60%	75.70%	77.50%
Other	84.80%	42.50%	62.00%	100.00%

SATISFACTION ON DWELLINGS



OVERALL COMMUNICATION IN THE DISTRICT

- 37.6% of residents interviewed said that they do receive information from officials.
- 30.9% receive only general information
- 31.0.7% receive information related to service delivery,
- 27.7% get information regarding faults and warnings of maintenance and repairs, and
- 10.4% receive other information

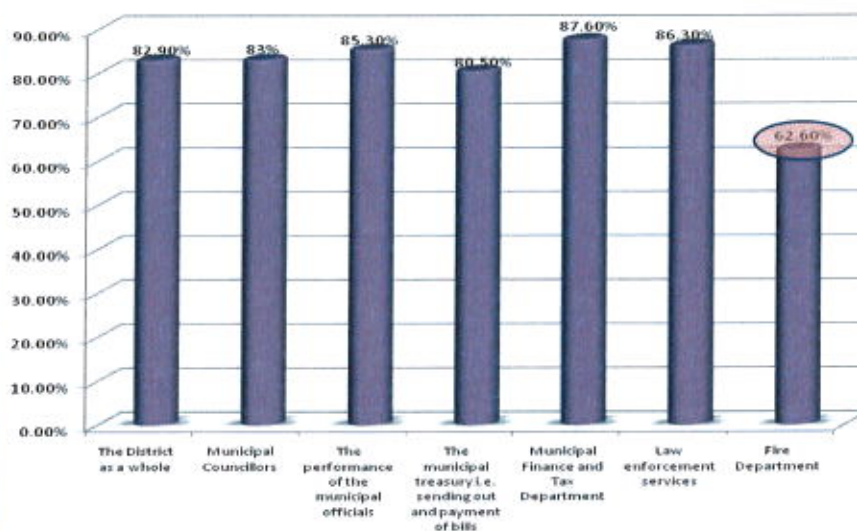
MEANS OF COMMUNICATION SUGGESTED

- | | |
|---|---|
| <ul style="list-style-type: none"> • Announcements at schools, • Banners, • Billboards, • By being in touch with izinduna, • Community meetings, • Community radio stations, • Councillors, • Loud speakers and hailing in community, | <ul style="list-style-type: none"> • Door-to-door, • Municipal Publications, • Municipal websites, • Newspapers, • Pamphlets, • Posters, • Provincial and Local radio and TV stations, • Ward councillor. |
|---|---|

1/2/2013

SATISFACTIONS OF DEPARTMENTS & UNITS

Satisfactions on Departments and Units
(iLembe District)



2.8 ALL MUNICIPAL OVERSIGHT COMMITTEES

2.8.1 Council Committee

2.8.2 Executive Committee

2.8.3 Audit Committee

2.8.4 Municipal Public Accounts Committee

2.8.5 Finance Portfolio Committee

2.8.6 Infrastructure Portfolio Committee

2.8.7 Local Public Administration and Labour Relations Portfolio Committee

2.8.8 Amenities, Safety and Security Portfolio Committee

2.8.9 Economic Development and Planning Portfolio Committee

CHAPTER THREE

SERVICE DELIVERY PERFORMANCE (Performance Report Part 1)

3.1 INTRODUCTION

TOP LEVEL SUMMARY OF 2011/2012 HOUSEHOLD (hh) BENEFICIARIES			
	TOTAL NUMBER TARGETED	ACTUAL NUMBER SERVED	PERCENTAGE ACHIEVEMENT AGAINST TARGET
WATER	6800	4223	62%
SANITATION	4305	4314	100.3%

The **2010/2011** figure for households served with new water access was **3 609**, however the totals for the **2011/2012** figure amounts to **4223** which is higher than the previous year achieved target. The team is therefore commended for a work done, and encouraged to continue with the dedication and commitment in carrying out their tasks.

Sanitation delivery in **2010/11** reached **1650** households. In the current reporting period (**2011/2012**), this figure increased to **4314 hh**. This is above the targeted household which stood at **4305 hh** this financial year. Another good performance from the technical services department and this kind of commitment is encouraged and applauded.

The Department of Water affairs also finalised its assessment on the water quality fit for consumption by humans. In 2010/11 financial year, KZN had 178 systems assessed, and Ilembe received Blue drop status in two of our schemes and got an overall score of **85.54%**. This financial year 2011/12 Ilembe got blue drop status in three of our schemes and an overall score of **95, 38%**

3.2 BACKLOG INFORMATION

iLembe District Municipality: Backlog Assessment & Achievements to Date										
Local Municipality	Population	Households	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	%	Total
Water - Backlog Study Estimates (UWP)										
Mandeni	131,830	37,798	25,913	24,081	23,461	23,081	23,081	23,081		
KwaDukuza	252,053	61,084	13,125	12,225	9,725	9,725	9,725	9,725		
Ndwedwe	208,447	33,459	15,917	14,236	8,057	7,298	7,298	7,298		
Maphumulo	212,909	27,606	21,119	18,709	11,811	10,963	10,173	10,173		
Total	805,239	159,947								
H/H without Access to Water			76,074	69,251	53,054	51,067	50,277		39799	
Backlogs			76,074	69,251	53,054	51,067	50,277	39799		
Achievements			400	6,823	16,198	1,987	790			
% Eradication of Backlogs										
Sanitation – Backlog Study Estimates (UWP)										
Mandeni	131,830	37,798	12,491	10,691	10,691	9,841	8,167	8,022		
KwaDukuza	252,053	61,084	12,456	12,456	12,456	12,456	12,456	12,456		
Ndwedwe	208,447	33,459	22,231	18,061	17,478	14,961	13,173	12,777		
Maphumulo	212,909	27,606	25,445	21,977	21,977	21,539	19,686	19,587		
Total	805,239	159,947								
H/H without Access to Sanitation			72,623	63,185	62,602	58,797	53,452	52,842	33%	43234
Backlogs			72,623	63,185	62,602	58,797	53,452	43234		43234
Achievements			6,374	9,438	583	3,805	5,315			
% Eradication of Backlogs										

BASIC SERVICES	EXISTING BACKLOG (HOUSEHOLDS) AS AT 30 JUNE 2011	EXISTING BACKLOG (HOUSEHOLDS) AS AT 30 JUNE 2012
Water	50277	39799
Sanitation	53452	43234

TABLE 12: iLembe District Municipality- Backlog Assessment & Achievements to Date

3.3 WATER AND SANITATION PROVISION

3.3.1 WATER SERVICE DELIVERY LEVELS

Water Services Delivery Levels	Households	Households
Description	2010/2011	2011/2012
	Actual No	Actual No
Water : (above min level)		
Piped water inside dwelling	34200	37400
Piped water inside yard (but not in dwelling)	-	-
Using public tap (at least min.service level)	75080	82358
Other water supply (at least min.service level)	390	390
Minimum service level and above and Above sub- total	109670	120148
No water supply (Backlogs)	50277	39799
Below minimum Service level sub-total	50277	39799
Minimum Service level and above percentage	69%	75%

Water Services Delivery Levels	Households	Households
Description	2010/2011	2011/2012
	Actual No	Actual No
Water (above min level)		
Below Minimum Service Level sub-total	50277	39799
Below Minimum Service Level Percentage	31%	25%
Total (backlog) (includes informal settlements)	50277	39799
Total number of units	159947	159947
Households – Water Service Delivery Levels below the minimum		
Description	Households	Households
	Actual No	Actual No
Formal Settlements		
Informal settlements/Backyard Shacks/Rural		
Total households	159947	159947
Households below the minimum service level	50277	39799
Proportion of Informal households below min service level		

The four largest water capital projects:-

3.3.1.1 LOWER THUKELA BULK WATER SCHEME

This project is aimed at providing water to cater for backlog eradication, social housing, private developments and commercial development within the KwaDukuza Local Municipality. The project involves the development of a water works that will have the capacity to produce 110Ml/day on the Thukela River.

Water will then be pumped from North to South of KwaDukuza via a primary bulk pipeline and 13 bulk off-takes. The 13 off-takes will be responsible for servicing a number of developments that will be within the footprint of each off-take.

The project is implemented in partnership with Umgeni Water, who is responsible for the abstraction, water treatment works, bulk storage reservoirs and bulk pipeline. Ilembe DM is responsible for the secondary bulk lines that will tap off from the Umgeni Water's primary bulk pipeline and will take water to the developments that require water supply.

The cost of the entire project is estimated at R 2,400,000,000.00 and is funded by:-

- Umgeni Water
- iLembe District Municipality
- The Department of Water Affairs
- Private Developments.

3.3.1.2 NGCEBO/KWADUKUZA REGIONAL WATER SUPPLY SCHEME

This project is aimed at service the community of Maphumulo, Ndwedwe and Maphumulo with water supply. The project involves the construction of a new Water Works on the Mvotshane River, in Maphumulo and a number of bulk and reticulation pipelines to cover the area of Maphumulo with water supply.

The project aims at augmenting all the water schemes that are experiencing water shortages at the moment and also seeks to roll out the new reticulation networks to areas that do not have access to potable water supply (backlog eradication).

Umgeni Water has constructed the water works in Maphumulo and a number of bulk pipelines and reservoirs and being implemented to ensure that the areas to be served have access to bulk water supply. iLembe DM is responsible for rolling out the reticulation networks to ensure that water is available to the communities to, at least, a basic level of service. The project will be implemented over a number of financial years and will eradicate over 60% of the backlogs within Maphumulo.

The cost of the project will be funded as follows:-

- iLembe District Municipality will fund the reticulation component of the project to the value of R 131,982,216 through the municipality's MIG funding.
- Umgeni Water will fund the water works, bulk pipelines and reservoirs of the project to the value of **R 207,888,187.00** from their own CAPEX funding.

The project is due for completion in 2013/2014 financial year.

3.3.1.3 MACAMBINI WATER SUPPLY SCHEME

The scheme is aimed at serving the community of Macambini (Wards 1, 2, 3 and 8 of Mandeni Local Municipality) with potable water supply. Ilembe District Municipality has already upgraded the capacity of the Sundumbili Water Works from 27MI/day to 40MI/day in order to cater for the increased demand of the Mandeni Community. Phase 1 of the bulk gravity pipeline from Rocky Ridge Reservoir to Thukela Mouth is at bid adjudication stage and the construction is expected to commence in September 2012. The project will be implemented over a number of financial years, due to financial constraints, and should be fully commissioned by 2015/2016 financial year.

The project is fully funded by iLembe District Municipality's MIG funding to the value of **R 116,575,664.00**.

3.3.1.4 NDULINDE WATER SUPPLY

The scheme is aimed at serving the community of Ndulinde (Wards 5, 6 and 11 of Mandeni Local Municipality) with potable water supply. Ilembe District Municipality has already upgraded the capacity of the Sundumbili Water Works from 27MI/day to 40MI/day in order to cater for the increased demand of the Mandeni Community.

The first phases of the bulk water pipelines, pump stations and bulk reservoirs have already been completed and the second phase is under construction. The first reticulation phase to ward 5 of Mandeni has already been commissioned and the community is being supplied with potable water supply to a basic level of service as set by the government. Another reticulation phase is currently under implementation. The project will be implemented over a number of financial years, due to financial constraints, and should be fully commissioned by 2013/2014 financial year.

The project is fully funded by iLembe District Municipality's MIG funding to the value of **R 101,076,781.00**.

3.3.2 SANITATION SERVICE DELIVERY LEVELS

Sanitation/Sewerage Services Delivery Levels	Households	Households
Description	2010/2011	2011/2012
	Actual No	Actual No
Flush toilet (connected to sewerage)	26842	29178
Flush toilet (with septic tank)	2100	2334
Pit toilet (ventilated)	77553	85201
Minimum service level and above and Above sub- total	106495	116713
No toilet provisions	53452	43234
Below minimum Service Level sub-total	53452	43234
	66%	73%
Total number of households		

Sanitation Services Delivery Levels	Households	Households
Description	2010/2011	2011/2012
	Actual No	Actual No
Sanitation (above min level)		
Below Minimum Service Level sub-total	53452	43234
Below Minimum Service Level Percentage	33%	27%

Total (backlog) (includes informal settlements)	53452	43234
Total number of units	159947	159947
Households – Sanitation Service Delivery Levels below the minimum		
Description	Households	Households
	Actual No	Actual No
Formal Settlements		
Informal settlements/Backyard Shacks/Rural		
Total households	159947	159947
Households below the minimum service level	53452	43234
Proportion of Informal households below min service level		

3.4 DISASTER MANAGEMENT

FIRE: iLembe district Fire fighting function is currently being performed by KwaDukuza, in supporting the other three local municipalities. In an effort to build fire fighting capacity in the district, individuals have been identified and trained in Fire fighting 1 and 2, which is a partnership between iLembe and the COGTA: Provincial Disaster Management Centre. During the 2011/12 financial year, a total of five(5) completed their fire fighting training from Ndwedwe (2), Maphumulo (2) and Mandeni (1) local municipalities. Four (4) trainees have been identified at Maphumulo and Ndwedwe municipalities for the 2012/13 financial year. As all trainees are unemployed the district is in consultation with the local municipalities in ensuring that they are utilised during ongoing prevention and mitigation interventions.

An investigation is being conducted on a possible establishment of a fire fighting unit at a district level in supporting the three vulnerable municipalities where there is lack of fire fighting capacity. The interim report on the possible establishments has been initiated and one of the recommendations is to work out the possible scenario for establishment of a fire fighting unit at a district level. The interim report looks at the legislative mandate, municipal demarcation board reports, fire fighting needs of the district and estimated financial implications for establishment of a fire fighting unit at a district level. **(Interim iLembe Disaster Risk Management Fire fighting Report attached)**

3.4.1 Disaster Risk Reduction

iLembe district disaster risk management centre has a three year action plan to address all the gaps that were identified during the status quo and gap analysis report. Terms Of Reference have also been finalised to guide the process of developing and implementing the requirements of the Disaster Management Act and Framework. The process to develop and implement the requirements of the Act and Framework will ensure that iLembe district supports the four local municipalities in developing all three levels of the Disaster Management Plans and frameworks, over a period of three years. Successful completion of the project will depend on the availability of funds over the three year period, as the project coincides with the medium term budget of the iLembe district municipality.

3.4.2 Community Awareness Campaigns

In complying with the Disaster Management Act 57 of 2002, a community awareness programme for iLembe district is in place with awareness campaigns conducted to vulnerable communities. Winter awareness campaigns targeting vulnerable communities, especially schools, informal settlements and rural communities. At the end of the current (2011/12) financial year, a total of eighteen (18) awareness campaigns would have been conducted at iLembe district as per set targets. **(Community Awareness Programme attached)**

3.4.3 Capacity Building Programme

Capacity building programme for the district is in place, with ongoing workshops and training conducted to disaster management stakeholders and role-players in the district. Target audiences include Unit of Volunteers, Learners, Amakhosi, Authorities, Educators, Councillors, and Ward Councillors, Government Departments and all other stakeholders and role-players in disaster risk management. A total of four (4) capacity building programmes will be conducted during the financial year, with a huge possibility to exceed this target. **(Capacity Building Programme attached)**

3.4.4 Emergency Relief Aid

iLembe District disaster risk management centre performing the role disaster management of co-ordination in supporting the four local municipalities. Core to this support is to ensure that all four local municipalities are supported as and when incidents or disasters occur, through rapid and effective response. Individual incident reports and monthly consolidated incident reports are prepared and get submitted internally (MANCO and Safety, Security And Amenities Portfolio Committee) and externally to the Provincial Disaster Management Centre. Relief material issued include tents, plastic sheeting, blankets and food parcels. In ensuring that material is standardised, iLembe district is a member of the Provincial Disaster Relief Task Team, where commonly accepted disaster relief specifications have been finalised. Incident reports are prepared an ad-hoc and on a monthly basis, with the associated beneficiary lists that get submitted to the provincial departments, including the Department Of Human Settlements.

3.4.5 Disaster Management Centre

A site has been identified at No. 12, Haysom Road, Stanger to build iLembe Disaster Risk Management Centre. The contractor already moved on site on the 18th of June 2012, with the disaster risk management centre to be completed during January 2012. Bi-monthly meetings are being held on site to ensure that all site and technical issues are addressed on an ongoing basis. Singatha Consulting were appointed as Project Managers to oversee the project on behalf of the municipality. iLembe disaster management communication system will be relocated to the new centre once it has been completed. Disaster risk management staff is being trained to ensure that they utilised the communication system in logging and monitoring incidents, including generating incidents reports.

3.5 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Enterprise iLembe (EI) is the Economic Development Agency of iLembe District Municipality, responsible for **Trade & Investment Promotion** and **Local Economic Development** for the region within these key sectors:

- Agriculture
- Tourism
- Manufacturing
- Services

The philosophy that drives Enterprise iLembe is built on global best practice principles in Local Economic Development. "Local Economic Development is a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized." This is reflected in the Industrial Development Strategy developed around the District. We think global and act LOCAL.

The objectives underpinning EI include the following, namely;

- To nurture new ideas which have commercial potential BUT have high impact potential poverty, jobs and empowerment
- To build partnerships between public sector support institutions and private sector players
- To become an effective finance facilitator for projects
- To build a strong Project Management Unit – so as to be able to bridge 1st & 2nd economies through catalytic and high-impact projects.

Opportunity identification and development is a key process whereby investment opportunities are identified through private sector engagement, public sector and gap analysis. Imperative to Enterprise iLembe pursuing or supporting a project is driven by the Agency Strategy and whether the project idea meets the Agency's Value Statement "Economic Development that will change the lives of our people".

Projects must be Specific, Measureable, Achievable, Realistic and within a Timeframe (SMART), and have socio-economic benefits linked to it. Enterprise iLembe has a Project Management Unit that assists in this process, with experienced Project Managers in the key sectors identified.

Reflecting on the sectors and the iLembe context, the following can be surmised, namely;

The **Agricultural sector** is a key sector in iLembe and as such Enterprise iLembe has significant investments in the sector. Enterprise iLembe is very proud of the implementation of the Agri-Hubs and iLembe open farms projects that have seen the lives of communities changed in the District. Farming in the area was severely impacted and hard hit with Kwa-Zulu Natal experiencing its driest period in 30 years, Average rainfall fell from 1,009mm by the end of September reaching approximately only 313mm reflecting a reduction of an average of 46, 6%. Some good rains were experienced in final month of 2010 allowing some recovery in the sector Enterprise iLembe together with industry players are continuously exploring diversifying sugar products and alternative crops to support the industry. The **manufacturing sector** as in the rest of the country slowed in response to the recessionary pressure. The **Tourism sector** experienced positive growth in the area with increased interest and investment by the private sector in the District. Challenges however continue to be experienced in facilitating and directing investment towards the hinterland and rural areas of the District. Success was achieved in the **Arts & Crafts Sector** as iLembe District received funding for and opened the doors to the first Integrated Craft Hub in KZN, this craft hub is progressing well as sales start to increase The industry has become increasingly competitive necessitating further up skilling of existing crafters and identification of more communities to participate in the sector. Enterprises iLembe is a grant funded organisation and as such will always face challenges related to fund raising and ensuring that committed funding is received timorously.

Enterprise iLembe to date receives funding from the Department of Cooperative Governance and Traditional Affairs, iLembe District, Industrial Development Corporation for the role out of Local Economic Development projects. Expenditure against allocated budgets is crucial, as these impacts the Agency's ability to secure further funding for LED projects operational costs. Enterprise iLembe continues to maintain a healthy financial position however the CEO's office will have to remain vigilant in ensuring that all budgeted and approved funding for each financial year is received and spent.

Against this background, Enterprise iLembe's current and future planning is broadly encapsulated below:

With the Dube Tradeport and King Shaka international airport so close to our boundary, opportunities for engagement with members of the international business fraternity will now become more prevalent, and iLembe District Municipality will ensure that the opportunities for inbound investment be made available to our entry premiers through the newly established iLembe Chamber and Commerce and Industry. Such economic opportunities include the King Shaka international airport and the Dube Tradeport, as well as macro-economic developments like the Blythedale Coastal Resort, Nonoti and similar resorts, KwaShushu Hot Springs in Maphumulo, Titanium Mining in Maphumulo and Kwaloshe Forest tourism in Ndwedwe.

Within our region, we have been exploring avenues to create additional jobs for people who live in townships close to industrial areas, through the formulation of an **industrial development strategy**, which will highlight the types of industries available and their proximity within the region. This will attract investors who may be interested in setting up factories in our district, which will create work for those out there who wish to take up this opportunity. The District Municipality also reviewing its **investment incentive strategy** to guide people to our region, as well as an informal economy strategy, which will help small medium and Micro enterprises develop themselves to a level whereby they can take advantage of opportunities given to the bigger companies within our region.

Business Retention and Expansion is also a key to the vision of the District and to this end we have partnered with the IDC and iLembe Chamber to roll out a Business Retention and Expansion programme in the District. The promotion of trade and investment is on-going as we continue to partner with stakeholders such IDC, TKZN and TIKZN to attract investment into the region.

Economic Activity by Sector			
			R '000
Sector			2010/2012
Agric, forestry and fishing			1 228.000
Mining and quarrying			289.000
Manufacturing			4 046.000
Wholesale and retail trade			2 167.000
Finance, property, etc.			2 962.000
Govt, community and social services			2 095.000
Infrastructure services			1 661.000
Total	0	0	14 448.000

Economic Employment by Sector			
Sector			Jobs
			2010/2011 No.
Agric, forestry and fishing			10 000
Mining and quarrying			700
Manufacturing			17 100
Wholesale and retail trade			22 000
Finance, property, etc.			14 000
Govt, community and social services			29 000
Infrastructure services			10 000
Total	0	0	102 800

3.5.1 COMMENT ON LOCAL JOB OPPORTUNITIES:

The wholesale, retail, catering and accommodation sector is the largest contributing sector to employment in iLembe, accounting for approximately 22% of total employment. KwaDukuza is the economic & tourism hub of the district and possesses most of the formal retail, wholesale and accommodation facilities within the district, and therefore is the largest contributing municipality with about 22000 people employed in the sector. Manufacturing is another significant sector within the district, and creates approximately 17 017 jobs which comprise 16.8% of total employment in the district.

The informal economy in iLembe is heterogenic, ranging from average street traders and shebeen owners to child carers and domestic workers. It is often characterised by its flexibility, creativity, resilience to absorb shocks, and its ability to adapt to changing external environments. The largest informal economy exists in KwaDukuza with over 8500 street traders ranging from fruit sellers, barbers, phone dealers and bead sellers.

Employees: Local Economic Development Services					
Job Level	2010/11	2011/2012			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	9	18	13	5	

Financial Performance 2011/12: Local Economic Development Services					
R'000					
Details	2010/11	2011/12			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	31 170	39 348	39 602	34 889	-13%
Expenditure:					
Employees	2 993	4 600	6 004	6 595	30%
Repairs and Maintenance	28	150	150	120	-25

ILEMBE DISTRICT MUNICIPALITY

Other	9 353	11 065	13 738	11 458	3%
Total Operational Expenditure	12 374	15 815	19 892	18 173	13%
Net Operational (Service) Expenditure	-18 796	-23 533	-19 710	-16 716	-41%

Jobs Created during 2011/2012 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)	748			Key financial, human resource and economic data is collated. On-site inspections are conducted.
2011/2012				
Initiative A - Agri Hubs	159		159	
Initiative B - Vineyards	60		60	
Initiative C - Open Fields	529		529	

Local Economic Development Policy Objectives Taken From IDP			
Service Objectives	Outline Service Targets	2011/2012	
		Target	Actual
<i>Service Indicators</i>			
(i)	(ii)		
Service Objective: To identify, build and co-ordinate partnerships among socio economic stakeholders.			
To assist in the facilitating the retention and expansion of existing businesses / % progress in the roll-out of business retention Expansion Visitation programme by deadline	% progress in the roll-out of business retention Expansion Visitation programme by deadline	All by 31 December 2011	All completed by 31 December 2012
Position iLembe as a preferred Investment Destination / No of Economic & Intelligence Reports for iLembe region	No of Economic & Intelligence Reports for iLembe region	4	4
Service Objective: To facilitate the packaging promotion of projects within the targeted sectors which have commercial potential but have high impact potential poverty, jobs and empowerment.			
To create employment and monitor expenditure on projects / Number of direct & indirect job opportunities created	Number of direct & indirect job opportunities created	748	748
Service Objective: To develop and implement a comprehensive self-sustainable model for economic			
To facilitate LED within iLembe District / % progress in application for funding	% progress in application for funding	All 100% completed by 31 December 2011	All 100% completed by 31 December 2011
Strategic Objective: To build efficient capacity to provide appropriate technical support and skills transfer to the shareholder so as to be a ble to bridge 1st & 2nd economies through catalytic & high-impact projects.			
To build a strong Project Management Unit - so as to be a ble to bridge 1st & 2nd economies through catalytic & high-impact projects / No of projects identified, facilitated, packaged and presented for funding.	No of projects identified, facilitated, packaged and presented for funding.	4	5
T3.11.7			

Capital Expenditure 2011/12: Economic Development Services						
R' 000						
Capital Projects	2011/12					Comments
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All						
Nonoti Beach	49	1 049	877	94%	1 049	
Broadband	2 369	2 369	2 222	-7%	2 369	This is for the entire project, includes the original Bus. Plan
Open Fields	1 600	1 600	1 838	13%	1 600	
Agri Processing Hubs	5 855	5 855	6 948	16%	21 083 429	This is inclusive the R4.6M expenditure incurred.
Vineyards	11 347	8 442	5 160	-120%	14 500 000	Includes Vineyards and Winery projects.
Bio-Diesel	2 635	2 635	3 012	13%	7 400 000	
Moringa Plantations	3 912	3 912	3 026	-29%	4 000 000	
Tourism	900	900	900	0%	900 000	
Fresh Produce Market	0	0	633	100%	500 000	
Pack House	500	500	204	-145%	500 000	
Incentive Strategy	300	300	526	43%	300 000	
King Shaka Tourism Route	500	500	439	-14%	500 000	
Container Project	0	0	213	100%	1 600 000	

3.5.2 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The iLembe Agri-hubs project was designed to empower communities in hydroponic farming and has now developed into sustainable commercial agricultural enterprise with supply contracts to sustain them for a few years and to date has created 159 direct and indirect jobs.

The iLembe Vineyards and Winery is a wine production venture, consistent with the idea of advancing Trade and Investment promotion is centered on maximizing community impact by introducing support industries, namely packaging, bottling, and tourism and to date has created 60 direct jobs.

The Biodiesel manufacturing plant and the Moringa tree plantations is a biodiesel production venture, anchored on the Moringa plantations and co-operative development, intended to also have food security and other health product prospects, to date supports 94 jobs through co-operatives.

The iLembe Open Farms Project is an initiative supporting local farmers to move from subsistence farming into the small commercial business space, to date is supporting over 500 jobs through co-operatives.

Additional key partnerships were formed with various stakeholders through MOU's and Agreements in order to leverage off opportunities, these include; Agri-Business Development Agency (ADA), Proudly South African and the Zulu Coast Film Office.

The recent KZN Provincial Growth and Development Strategy (PGDS) identified the need for all District Municipalities to establish development agencies; this was influenced by Enterprise iLembe, who will be used as a benchmark.

Notwithstanding these successes, the 2011/2012 financial year has certainly been a challenging year for Enterprise iLembe in terms of ensuring that the mandate of driving economic development in the region met with tangible and visible results. There were key resignations during this financial year which impacted, in the seam-less continuity of business. The high levels of unemployment, access to finance by SMME's, skills migration, capacity constraints and the slow pace of transformation continues to pose a challenge in the district and in KZN as a whole. Agriculture as a key economic driver in the district has seen a decline as the number one job creator to number 6 within a period of 10 years. Both the manufacturing and agricultural sectors have declined over the previous 5 years by 4 100 and 17 400 jobs respectively. The majority of job gains over the previous 5 years were in the finance, insurance, real estate and business services sectors and the government and community services sectors.

iLembe District Municipality aims in the next five years to upscale service delivery aligned with the call from President Jacob Zuma to induce service delivery through methods that ensure employment and reduce poverty levels thus improving quality of life for iLembe residents. Hence, job creation is at the core of iLembe's 5 year service delivery strategic plans. Enterprise iLembe Economic Development Agency in partnership with all iLembe family municipalities seeks to fast track job creation projects in various economic sectors, i.e. agriculture, tourism, manufacturing and retail/services. As part of a single performance strategy Enterprise iLembe is at the core of iLembe's 5 year service delivery strategic plans that seek to speed up implementation of projects and create more jobs for the iLembe District citizens.

With the Dube Tradeport and King Shaka international airport so close to our boundary, opportunities for engagement with members of the international business fraternity will now become more prevalent, and iLembe District Municipality will ensure that the opportunities for inbound investment be made available to our entry premiers through the newly established iLembe Chamber and Commerce and Industry. Such economic opportunities include the King Shaka international airport and the Dube Tradeport, as well as macro-economic developments like the Blythedale Coastal Resort, Nonoti and similar resorts, KwaShushu Hotsprings in Maphumulo, Titanium Mining in Maphumulo and Kwaloshe Forest tourism in Ndwedwe.

Within our region, we have been exploring avenues to create additional jobs for people who live in townships close to industrial areas, through the formulation of an industrial development strategy, which will highlight the types of industries available and their proximity within the region. This will attract

investors who may be interested in setting up factories in our district, which will create work for those out there who wish to take up this opportunity.

The District Municipality also reviewing its investment incentive strategy to guide people to our region, as well as an informal economy strategy, which will help small medium and Micro enterprises develop themselves to a level whereby they can take advantage of opportunities given to the bigger companies within our region.

Business Retention and Expansion is also a key to the vision of the District and to this end we have partnered with the IDC and iLembe Chamber to roll out a Business Retention and Expansion programme in the District. The promotion of trade and investment is on-going as we continue to partner with stakeholders such IDC, TKZN and TIKZN to attract investment into the region.

3.6 ANNUAL PERFORMANCE REPORT IN TERMS OF SECTION 46 OF THE MUNICIPAL SYSTEMS ACT

3.6.1 INTRODUCTION

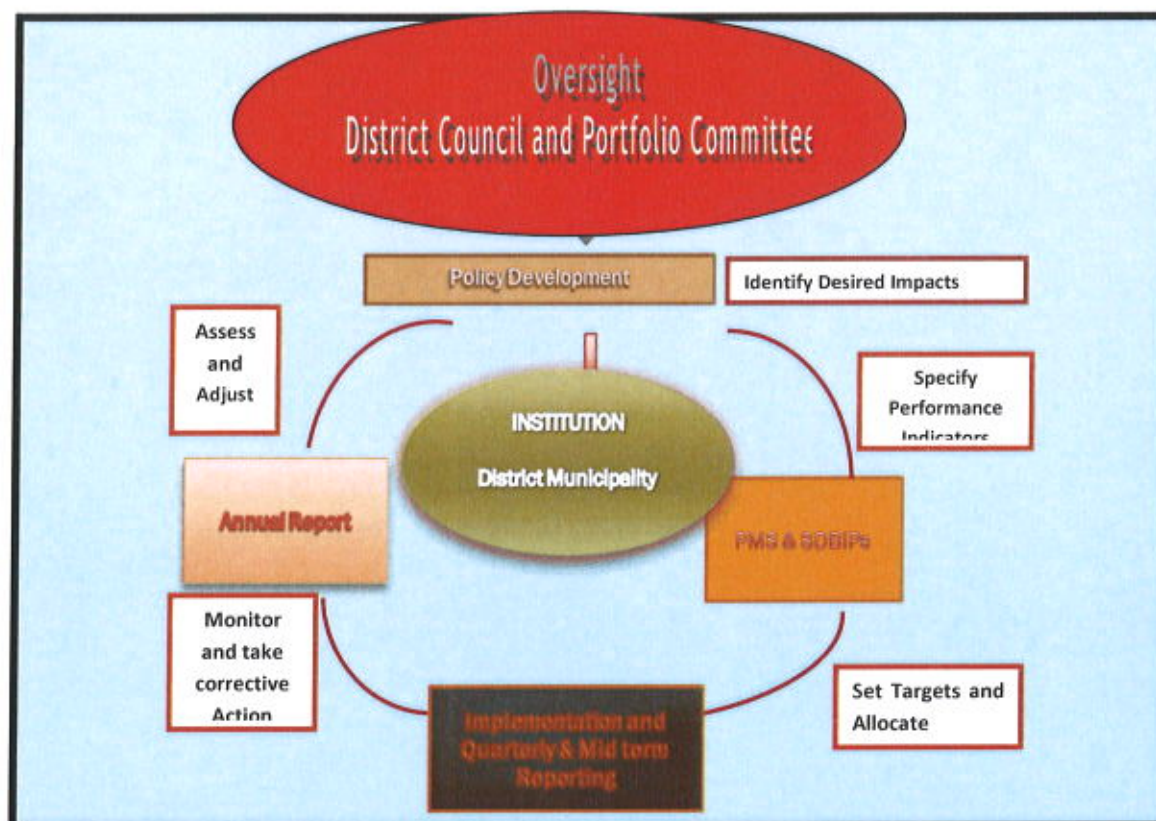
The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001, describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed and to determine the roles of different stakeholders.

The iLembe District Municipality's adopted an Organisational Performance Framework in December 2010. The framework was again reviewed as part of the IDP annual review. The Framework was adopted by council on the 20 June 2012.

The Municipal Systems Act of 2000, in terms of section 46, requires the municipalities to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act. This Report therefore focuses on the Organisational Objectives, and the progress thereof made by the Ilembe District Municipality in the 2011/12 financial year. It also provides feedback on the targets as set out in the approved Organisational Scorecard as well as the Service Delivery and Budget Implementation Plan used to monitor performance at an operational level.

3.6.1.1 PERFORMANCE MANAGEMENT IMPLEMENTATION IN ILEMBE DISTRICT MUNICIPALITY

The Model used by the Ilembe District municipality in terms of PMS Implementation is depicted in the following diagram



The Ilembe District municipality has committed itself to be a candidate of the clean administration in the 2012/13 financial year. This essentially requires that the municipality receives a clean audit opinion on both financial and performance information. It is for this reason that the municipality has strengthened its internal control in the matters of evidence for all the work that it engage itself in.

The municipality also had the pleasure of being visited by the Auditor General Mr Terrence Nombembe, when he was conducting his door to door campaigns. He enlightened the municipality on the areas of importance and focus to ensure that the municipality is compliant with all the legislation and also assist in obtaining the clean administration. He also made emphasis on the issue of credible information reported by the municipality to council and to the public at large.

The oversight role done at the portfolio committees need to be strengthened to ensure that we do not only monitor progress but monitor it **against a set target** to enable speedy progress on the required arrears of responsibility.

The municipality has embarked on a different approach in the way we conduct our business. The goal is to use a logic approach and synergise all departments so as to ensure that all our efforts are towards achieving our objectives. This has been seen by the shift from a reasoning ideology to a more rational approach. The municipality however does need to shift its focus from only organisation/Oversight performance management to day-to-day performance management. This will ensure that we create a management culture and ensure functionality.

One of the major challenges for this financial year was to review the reporting period on our non financial performance information, which was done quarterly and as a recommendation from the Auditor Generals office, will now be done on a monthly basis.

It must be stressed that although we are going through major changes in terms of managing performance and the responsibility thereof, management has shown commitment, and are willing to work with the PMS Unit in this regard. The Municipal Manager appreciates the effort and hopes the willingness continue for the municipality to realise its commitment to clean administration by 2012/2013.

Lots of the lesson learnt during this period has also influenced and improved our system for the 2012/2013 financial year.

The municipality will also be undertaking the automation of the Performance Management System, linking it to share point where they can be easy verification of the reports submitted by the department as well as evidence, which will increase the strength of credibility and validation of our reported performance information.

3.6.2 ORGANISATIONAL SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP) AND MUNICIPAL MANAGER'S SCORECARD

Ilembe's Organisational Scorecard continues to be organised according to the five prescribed national Key Performance Areas (KPA's). These are:

- ❖ Infrastructure & Service Delivery
- ❖ Socio-Economic Development
- ❖ Institutional Transformation.
- ❖ Financial Viability
- ❖ Good Governance & Public Participation

3.6.3 OVERALL SUCCESS RATE

The Ilembe District municipality's overall performance was relatively good. In **2010/2011** iLembe met **20 out of 27** targets in its organisational scorecard, which is **74% success rate**.

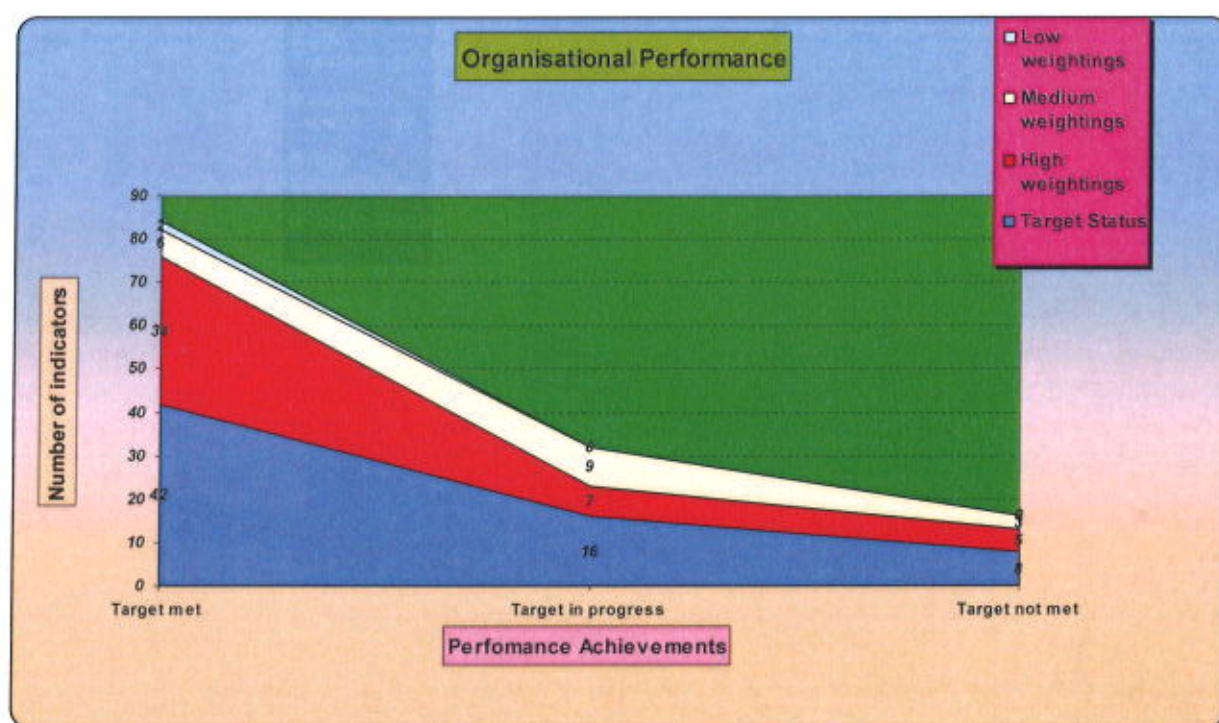
In **2011/12** iLembe met **62%** of their target, with an additional **23%** of the targets in progress and almost met. Only **12%** of the targets in the organisational scorecard were not met. There were a total of **68** targets in the scorecard of which **42** were met, **16** were in progress and **8** were not met.

Weightings on Organizational Indicators:

Indicators for all departments	High weight	Medium weight	Low weight		Total
Target met	34	6	2		42
Target in progress	7	9	0		16
Target not met	5	3	0		8
N/A					2
Total					68

The diagram below depicts the performance of the district in relation to the various business units. A more detailed look into each department is outlined in paragraph 2.

Figure 1: Summary of the organisational performance



3.6.4 SUMMARY PERFORMANCE HIGHLIGHTS

3.6.4.1 National KPA: Infrastructure & Service Delivery

In the financial year 2011/12 the municipality had a total of fourteen water access projects, six of them targeted for new household connection, and ten of them addressing the laying of infrastructure. A total of 4223 households were connected with water and 4314 households connected with sanitation. There were a total of 16 projects for refurbishment.

Refurbishment projects

- ❖ KwaDukuza sewer reticulation upgrade
- ❖ KwaDukuza water conservation and demand
- ❖ Ndwedwe Nsuzi river abstraction renovation
- ❖ Refurbishment waste water works
- ❖ Reservoir cleaning for KwaDukuza, Maphumulo and Mandeni
- ❖ Extension of pipeline in Blythedale
- ❖ Upgrade of Gledhow sewer pumps
- ❖ Relocation of Sundumbili reticulation Pipeline
- ❖ Mandeni water conservation and demand management
- ❖ Sundumbili sewerage works upgrade
- ❖ Menyezwayo scheme extension

3.6.4.2 National KPA: Socio-Economic Development

The municipality continued having an active Environmental Health Unit that resolved 100% of all complaints on issues such as: water quality, air pollution, waste management, vector control and food

handling premises. Significantly, iLembe co-ordinated the Salga Games and held a Youth and Gender summit to inform the programmes for these groups, to be implemented in the **2012/13** financial year.

Disaster Risk Management has been conducting extension consultations with the Local municipalities within the district to make place for the Risk management plans required in each of the municipality and a programme of action has been developed. In **2011/2012** Enterprise iLembe secured project funding and began implementation of a number of economic development initiatives. The agency was also active in the Project Management Unit implementing the parent municipality's capital works projects. The agency has developed the economic indicators that will monitor the impact of the projects implemented by the agency.

3.6.4.3 National KPA: Financial Viability

The department saw the appointment of a Chief Finance Officer in the last month of the second quarter; and the improvement in the processes in place to ensure compliance and effective financial management within the municipality are remarkable.

A service provider was also appointed to conduct an extensive data cleansing exercise, to ensure that the debtor's book is accurate and identify the root causes for the low payment rate against the projections. This has assisted the revenue unit in addressing the issues the municipality has been faced with on revenue collection and also maximise the payment rate. It is with great pleasure to note that the payment rate in the month of June 2012 **increased to 90%**.

The **Standard Operating Procedures (SOPs)** for all the units within this department were developed, and will be used to hold people accountable. The Supply Chain Management process has also improved with the turnaround time of processing the bids averaging **55, 6** days against the **121 days** reported in the previous financial year.

3.6.4.4 National KPA: Institutional Transformation

HR was able to fill 78% of posts in the municipality's organogram as at 30 June 2012. It must be noted that there were a lot of appointments made within this financial year, however, the final percentage as of June 2012 was a result of resignations in the last month of the financial year.

The review of iLembe's organogram was finally approved on the 20th of June 2012.

Successes were again realised for: Council Support (logistics for all meetings of ExCo; Council and Portfolio Committees plus accurate minute taking of these).

3.6.4.5 National KPA: Good Governance & Public Participation

Above average success was recorded for the IDP Review in 2011/12. Indicators dealing with: Public Participation; Inter-Governmental Relations (IGR) and Internal Audit returned good results – a improvement over the previous financial year.

The Audit Committee has been functioning as required, and submits reports to EXCO and council twice a year. PMS developed the next year's performance measurement tools in time. The Mayor approved the 2012/2013 SDBIP on 02 July 2012. The Annual 2011/2012 Performance Report, herewith, was completed, and went to Internal Auditors and Audit Committee before the due date of submission to Auditor General.

3.6.5 DEPARTMENTAL RESULTS

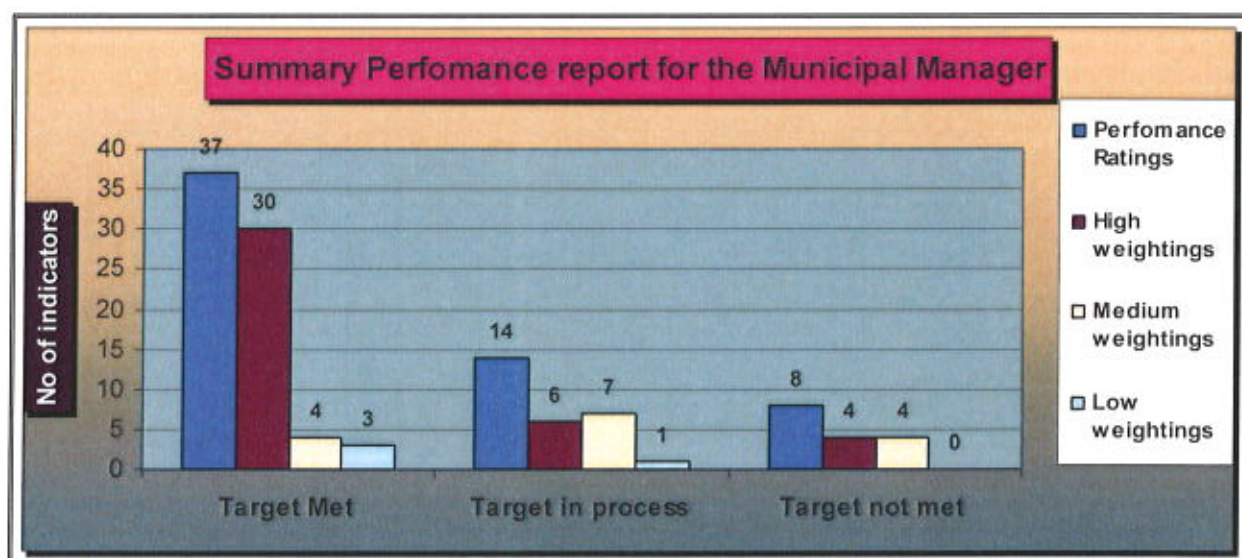
3.6.5.1 OFFICE OF THE MUNICIPAL MANAGER

The IDP Unit started with the process of formulation the IDP for 2012 – 2017. The IDP Framework and Process Plan were adopted by 13 September 2011. The public consultations were conducted and have been reported under Corporate Governance department. The municipality also undertook the strategic planning which was held in the first week of September 2011, and produced a 5 year strategic document for the Ilembe district which has been adopted in December 2011.

The risk assessment exercise was done by the risk officer together with provincial treasury and a risk register is circulated at Manco for updates. The three year audit plan was approved by the audit committee, and the unit reported a total of sixteen (16) audit assignment for this 2011/12 financial year. The Municipal Manager is also submitting the required monthly reports to the Executive Committee.

The PMS Unit concluded the Annual Performance Report for 2010/11 and it was submitted to the Performance Audit committee, Manco and EXCO for approval. It was also submitted to the Auditor General on the 30 August 2011 for auditing purposes. The 2012/2013 Financial Year's SDBIP was finalised in June and approved by 02 July 2012 (**7 working days after the approval of the Budget**). The following figure depicts the summary of performance in the Municipal Manager's scorecard.

Figure : Summary of the MM scorecard



3.6.5.2 TECHNICAL SERVICES

TOP LEVEL SUMMARY OF 2011/2012 HOUSEHOLD (hh) BENEFICIARIES			
	TOTAL NUMBER TARGETED	ACTUAL NUMBER SERVED	PERCENTAGE ACHIEVEMENT AGAINST TARGET
WATER	6800	4223	62%
SANITATION	4305	4314	100.3%

Of the **fourteen projects** designed to deliver new water infrastructure in 2010/2011, only **six projects** targeted numbers of household beneficiaries.

Of the **six projects** that did target household beneficiaries, four of those projects managed to connect households. And of the two that did not managed to connect, valid reasons were stated for failing to deliver to intended recipients.

Hlimbithwa 1 water supply had a problem of the service provider, and the contract has now been ceded to a competent contractor who is ensuring the completion of the outstanding work. The targeted **747 household** will now be connected in the first quarter of the next financial year.

San Souci had 1790 hh targeted for water connection, unfortunately when the construction was finished and commissioning of projects was about to be done, two pump stations were vandalised and must be refurbished so that water can be connected. This has set the district back on the total number of the targeted household for connection this year. However the pump specialist is currently at the site doing the repairs to ensure the water are connected as soon as possible. Security is another issue that needs to be implemented as a matter of urgency to ensure that incidents like this are minimised.

The **2010/2011** figure for households served with new water access was **3 609**, however the totals for the **2011/2012** figure amounts to **4223** which is higher then the previous year achieved target. The team is therefore commended for a work done, and encouraged to continue with the dedication and commitment in carrying out their tasks.

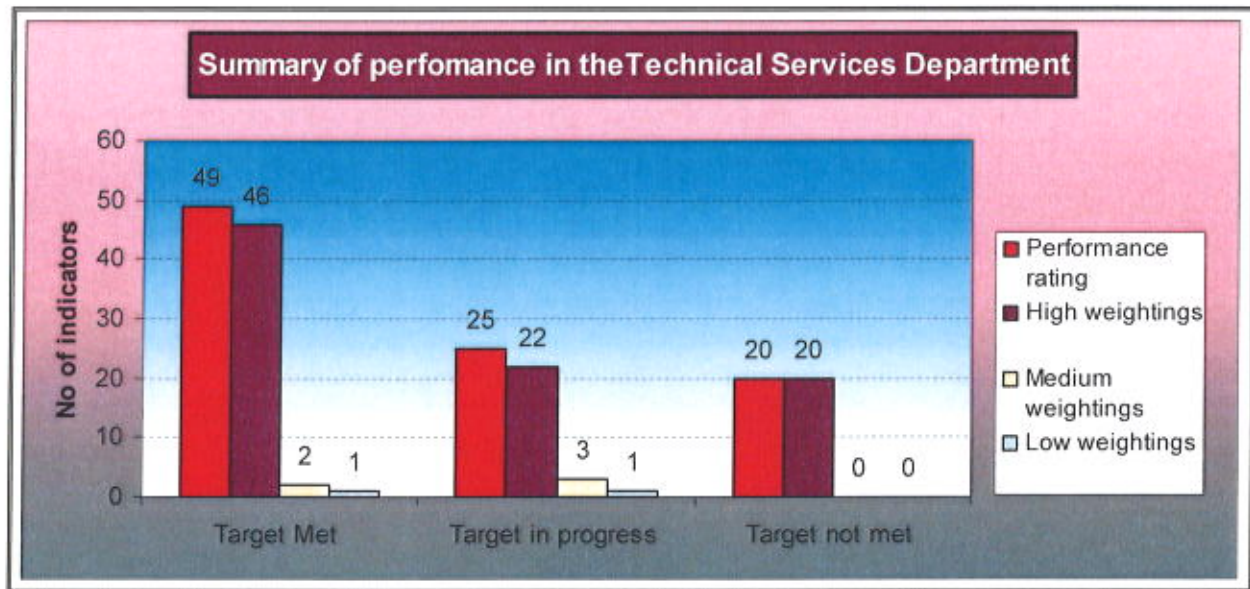
Sanitation delivery in **2010/11** reached **1650** households. In the current reporting period (**2011/2012**), this figure increased to **4314 hh**. This is above the targeted household which stood at **4305 hh** this financial year. Another good performance from the technical services department and this kind of commitment is encouraged and applauded.

The Department of Water affairs also finalised its assessment on the water quality fit for consumption by humans. In 2010/11 financial year, KZN had 178 systems assessed, and Ilembe received Blue drop status in two of our schemes and got an overall score of **85.54%**. This financial year 2011/12 Ilembe got blue drop status in three of our schemes and an overall score of **95, 38%**

The Green drop status will be assessed in the next financial year. The percentage improvement on these statuses is as follows:

Municipal Score			
Status	2010/11	2011/12	% improvement
Blue Drop	85,54%	95,38%	9,84%

Figure : Summary of Technical Services Department performance



3.6.5.3 FINANCE DEPARTMENT

In 2010/11 the municipality obtained an unqualified Auditor-General's report. However there were matters of emphasis in the final audit report and therefore the municipality has put in a lot of work in ensuring that those do not form part of the report in this financial year.

The Department met most of their target this financial year. The newly appointed Chief Finance Officer has brought stability into the department and introduced systems to improve the efficiency of this department especially the supply chain management unit.

The Budget Unit: has met all its targets starting from the statutory report to province being submitted by deadline dates, as well as the budget approval on the 20th of June 2012. The financial statements for the 2010/11 financial year were completed on time and submitted to the AG on the **31 August 2011**.

The Expenditure unit is on target for most of their indicators. Problems are still being experienced in Creditors payment as the percentages are showing that only **82, 95%** of our creditor receives their payment within the **30 days** legislative timeframes. The fixed Asset Register has been finalised and it is complying with GRAP standards. The recommendation to review the cash flow management to range **between 30 and 90 days (with 60 days being the ideal target)** was implemented and the unit averaged 45.5 days cash on hand for this financial year.

Revenue Unit: Revenue collection is at **67%** for the year. However it must be commended that the municipality has conducted an extensive data cleansing and will be strictly adhering to the credit control policy for improved revenue collection. Customers in arrears are being handed over for collection in line with the policy. **62% of the outstanding debtors** were handed over for collection. The indigent register is also being frequently updated through applications as well as revenue desk outreach programmes.

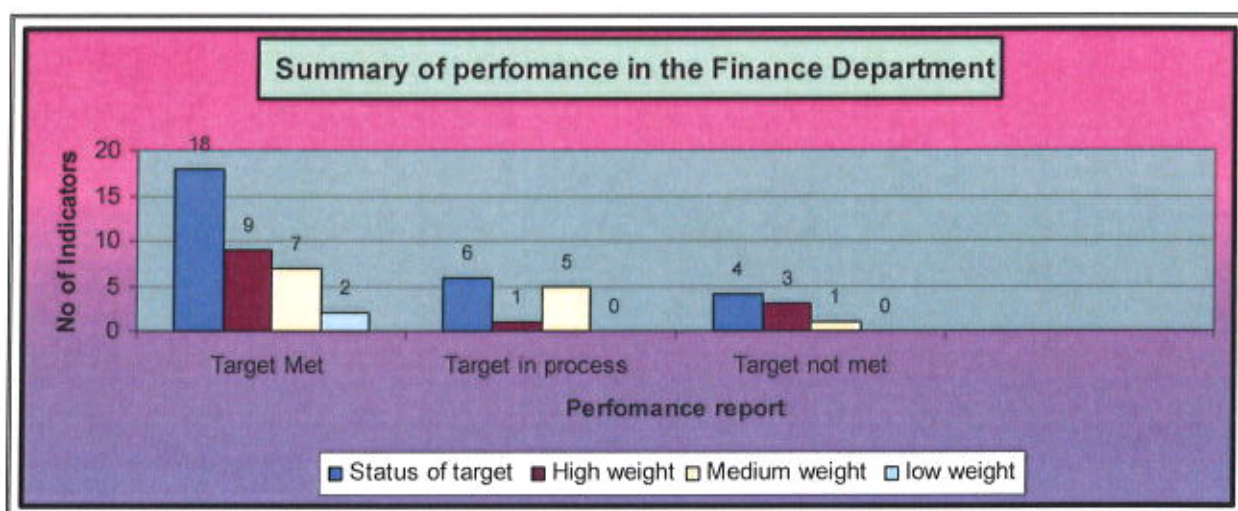
Supply Chain Management Unit: The reports on the compliance with SCM policy were required from this unit. The quotations for amounts of R30000 – R200 000 were averaging a turnaround time of **12,9 days**

against **10 days** set as a projected target, however they were on target for the quotations of between **R2000 – R29 999**.

The Bids were reported to be **averaging 55, 6 days** which has improved immensely from the last year report averaging 121 days. An annual procurement plan has been instrumental in ensuring that the turnaround time for processing bids improves so significantly.

The Chief Finance Officer also introduced the Standard Operating procedures for all the business units under the Budget and Treasury office. All their SOPs are currently being used to monitor operations within the department.

Figure: Summary of Finance Department performance



3.6.5.4 CORPORATE SERVICES

The department's overall performance was on target.

Human Resources Unit: have made an impressive effort in their target on filling up the vacant posts and the reported figure of the structure as at end December is **88%** of critical post filled, **78%** posts filled in the organogram, and **88%** of budgeted post for this financial year have been filled.

The employees are going under induction to ensure they are well aware of the organisation and its culture. Skills retention policy was reviewed to address the high labour turnover, in the two highest levels of employment which the municipality is currently experiencing. The total % budget spent on the workplace skills plan is at **79, 21%** for the financial year.

Administration Unit: The need to reduce the costs of fleet within the municipality was also identified in this financial year. The department reduced the cost of fleet **by 1%** this financial year. Council support is functioning well with all the meeting requested held.

There has been an decrease of **4%** against the targeted **10%** in the telephone usage within the municipality, however, measure to improve are implemented and the top 20 defaulters are suspended on the system until such time that the Managers approves their reinstatement with motivation on a case by case basis.

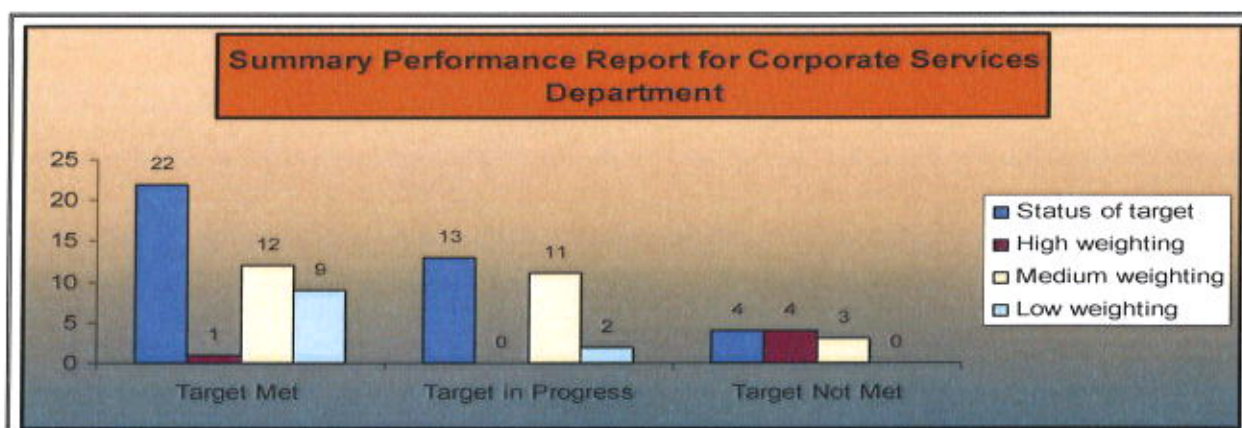
Hlungwa Consulting is also making progress in performance enhancement strategies within the revenue section of the municipality.

Environmental Health and Safety Unit: is progressing well in their various inspections and building scrutiny. The water quality samples also improved as none were found to be non-compliant.

Legal Services Unit: is on target with an average of 2.6 days turnaround time to vet legal document and Service Level Agreement. It's also noted that 90% the SLA requests this financial year were concluded with the exception of Siza Water Concession agreement. The % of legal matters of the municipality that are resolved is averaging **69%** against **80% projection** this year. **All the Standard Operating Procedures** for this department were finalised.

ICT Unit: The Manager ICT has been hard at work putting systems and processes in place to ensure the smooth operation within the ICT department. Auditor General Queries were made priority to avoid repeat findings.

Figure: Summary of Corporate Services Department performance



3.6.5.5 CORPORATE GOVERNANCE

The Corporate Governance department has been able to meet most of their target this financial year with 11 targets met, 8 target in progress and 5 targets not met in their departmental SDBIP. King Shaka celebrations were held on the 24 September 2011. Diwali parcels were also given to organisations celebrating the event.

Corporate Communication Unit: The municipality went on the extensive public participation process this year, with the community engagement meetings conducted at a ward levels and feedback session with budget and performance management systems conducted in each local municipality. **30 meetings** in total were held throughout the district for IDP Izimbizo as well as project feedback sessions. **Standard Operating Procedures** for both Internal and External communication were developed. The municipality has also enhanced its Intergovernmental Relations. This financial year a consultant (Juba Fly) was engaged to assist the District in implementing the published IGR Framework. The IGR is currently operating at 95% efficiency with Planning, PMS, Infrastructure, ICT, CFOs, LED, Technical (MMs) and Mayors Forums functioning.

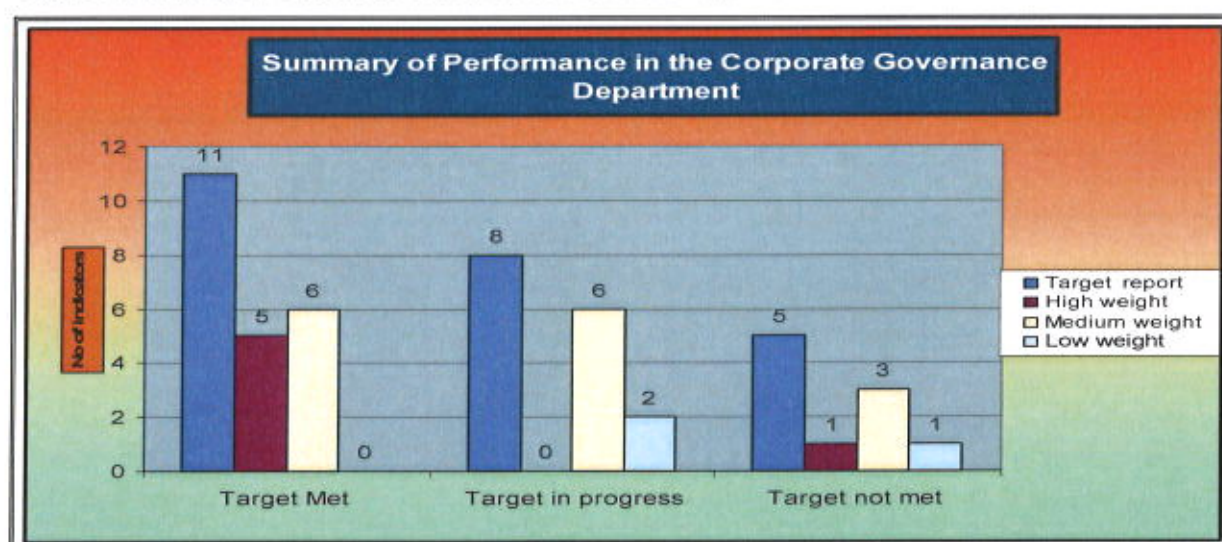
Disaster Risk Management Unit: The unit reported a **100%** of incidents responded to. Fourteen (14) Disaster Management awareness campaigns were conducted within the district. There were also a number of capacity building sessions conducted to educate councillors and communities on the disasters

prone areas within the district. All incidents reported to the municipality we responded to, and the disaster management centre is only at a planning stage.

Special Programmes Unit: The much anticipated youth summit was held in March 2012. The district youth plan was then developed and will be implemented in the 2012/13 financial year. The gender summit was also held and its plan was adopted on the 29th of June 2012, to be implemented in the next financial year. This Unit is also driving the flagship programme **Operation Sukuma Sakhe** and they are co-ordinating all the interventions from various state departments and municipality. The Standard Operating Procedures for OSS were approved.

The co-ordination of the annual report was also done and the report was approved on the 31 January 2012 in line with the legislative requirements.

Figure: Summary of Corporate Governance Department performance



3.6.5.6 MUNICIPAL ENTITY – ENTERPRISE ILEMBE

In terms of section 93B of the Municipal Systems Act, the parent municipality must ensure that the performance objectives and indicators for the municipal entity are established by agreement with the entity and included in the municipal entity's multi year business plan in accordance with section 87 (5) (d) of the MFMA. It is for this reason that the report for the Enterprise Ilembe has been included in the annual performance report.

Introduction

Local Economic Development (LED) is an approach towards economic development which allows and encourages local people to work together to achieve sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.

As a programme, LED is intended to maximise the economic potential of all municipal localities throughout the country and, to enhance the resilience of the macro-economic growth through increased local economic growth, employment creation and development initiatives within the context of sustainable development.

The "local" in economic development points to the fact that the political jurisdiction at a local level is often the most appropriate place for economic intervention as it carries alongside it the accountability and legitimacy of a democratically elected body.

It is for this reason that Ilembe District has an entity that is looking at stimulating the economic development within this district.

Performance report for 2011/12

The EI has had a very good financial year. The Ilembe is visible in the media. A total of **19 networking sessions** were attended to assist in marketing the district. The Entity also engaged the services of the research consultants to generate an economic intelligent report on the district, to assist the potential investors, the government and all interested stakeholders about the socio-economic activities within the district.

The Entity has been involved in a number of Local Economic Development projects this financial year. Ilembe Agri-processing project is one of the project driven by the entity, with a total of 159 jobs (both permanent and temp) created.

Ilembe Vineyards & winery project, currently at 80% progress implementation as per the business plan, this project has created about 62 jobs this financial year (**through construction**)

Ilembe biodiesel processing plan, which is currently at 50% progress implementation as per the business plan, with 14 jobs of which 10 are temp jobs created through ithala (the lessor).

Moringa Plantation has progresses really well and most of the sites have been planted. The project has managed to employ a total number of 94 employees against the 40 that was projected due calls to fast track the project and therefore the labour intake also increased.

Ilembe opens farms project is also another success story within the district, with more crops identified for this financial year. All the co-operatives that were involved in this project are still very much part of it and the Enterprise Ilembe has managed to retain the 381 jobs in this project.

King Shaka tourism route concept, Ilembe Packhouse, Agro-Park concept, integrated floriculture centre are some of the project being facilitated, researched and at the final stages of being reported and adopted for implementation.

There has been major negotiations on new partnerships and stakeholder engagement both in the public sector and private sector, and 2012/13 will prove to be yet another interesting year where all stakeholders are working together to ensure growth and economic development within this district.

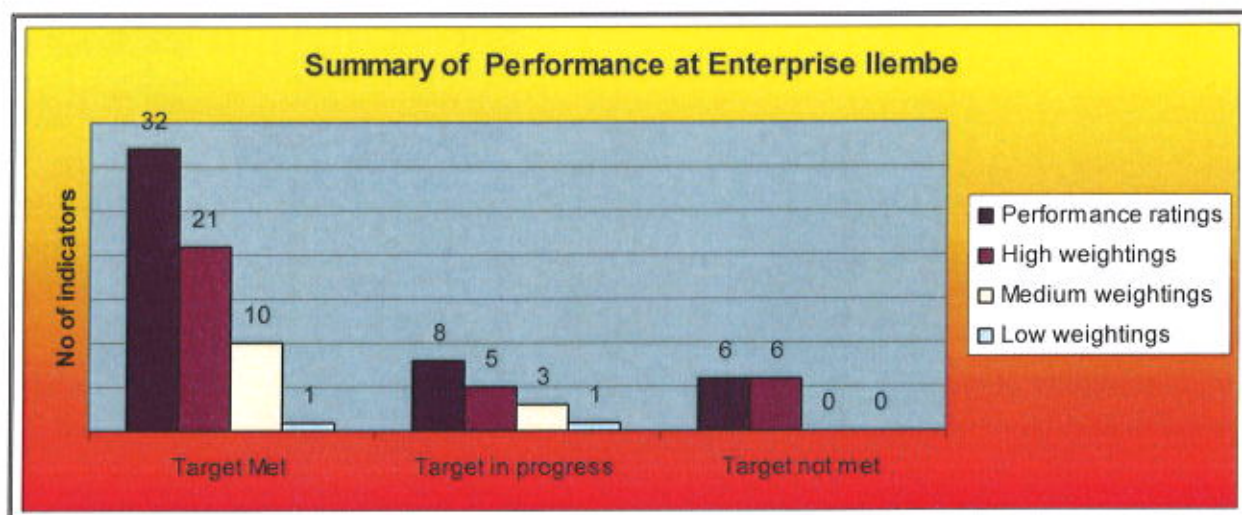
The entity has been compliant in terms of Service Level Agreement delivery, with regular reports to the Ilembe District municipality as well as their funders. This year they have implemented performance Management system to all the employees within the entity.

The budget was also submitted in time for consolidation with the IDM's budget submission to the Treasury Department. The creditors are being paid within 30 days and the turnaround time for processing the quotation is averaging 5 days and bids averaging 54 days which is commended.

The entity is also required to secure funding from both the district and the external funders which in this case is Industrial Development Corporation (IDC). They were required to do it within specified timelines, which they managed to achieve.

The detailed report is attached as part of the annexure, however the summary of achievements is illustrated in the figure below:-

Figure: Summary of Enterprise Ilembe performance



3.6.6 PERFORMANCE OF SERVICE PROVIDERS

The followings consultants were engaged in this financial year: -

- ❖ Aurecon
- ❖ Black Balance
- ❖ Goba Consulting
- ❖ Bizworks
- ❖ Joat consultants
- ❖ Madan Singh consultants
- ❖ MSW consultants
- ❖ Sivest consultants
- ❖ SSI consultants
- ❖ ZAI consultants
- ❖ Mvula Trust
- ❖ Sonke consulting
- ❖ Juba Fly
- ❖ Hlunga Consulting

MSW consultants have very good workmanship and no problems were identified in their work, generally they performed according to expectations. **Goba, Madan Singh and Zai** also have good workmanship and no problems have been experienced in our engagements. Their performance is regarded as good.

Auricon, Black Balance, Sivest, SSI and Mvula Trust have satisfactory workmanship, although there can be minor communication problems in regards to passing information to the client; we were generally satisfied with their performance.

Bizworks – we engaged to assist the municipality with Data cleansing and debt collection. They were found to have efficient methods of debt collection, therefore this area has been rated as good, however the data cleansing in our circumstances as a district was found to be poor. The overall assessment will be satisfactory.

Sonke consulting – comply with their SLA and the municipality is generally happy with their performance rating is good.

Juba Fly – The project delayed, It was meant to be finalised by December, but as of the end of the financial year, the project was still not finalised. Only two reports were received, and the municipality is still awaiting the close out report. Overall rating is poor.

Dave Geils - complied with the SLA and the finance department is generally happy with his performance

Terry - complied with the SLA and the finance department is generally happy with his performance

Hlunga consulting – complied with the SLA the revenue unit is generally happy with their performance

Performance of the contractor

The following service providers (contractors) were good, professional and generally provided good workmanship. No problems were experienced in our engagements with them.

- ❖ Afrostructures (Pty) LTD
- ❖ BPB Sindi Civils
- ❖ Consolidated water conditioning
- ❖ Hidrotech
- ❖ Inhlanhla Civils
- ❖ JB Projects
- ❖ Pilcon Projects
- ❖ PMPZ Construction
- ❖ R & B pipeline construction
- ❖ Rockhard Plumbers
- ❖ Sunset Beach trading 529 cc
- ❖ Water purification chemicals and Plant cc
- ❖ Essor Franki pipelines

The following service providers (contractors) did not have the necessary financial resources, which affected their performance on the projects. The contract from the two of these contractors, as a result had to be terminated, so the overall assessment will be poor.

- ❖ Kaldycon cc
- ❖ Cymax Trading Enterprises
- ❖ Zamadunga Projects

Natal Richards Bay Hire cc did pose to be a challenge. Numerous meetings were arranged to engage them. They were not willing to take instruction from the client. The municipality is generally not happy with their performance and rate it **as poor**.

RGZ Projects have satisfactory workmanship, however problems are foreseen as the contractor misses site meetings and there is lack of supervision. This will result in **a poor management** of the contract.

Vulindlela Asphalt surfacing, even though their workmanship was satisfactory, the contractor had no financial resources, and it affected their delivery on the site. The contract had to be terminated; therefore the overall assessment will be poor.

Sibusiso Projects – Has just stated however it has been noted that he has no financial resources to carry out the project, which could be a challenge for the municipality.

3.6.7 MEASURES TO IMPROVE PERFORMANCE

The financial year was a good year with various appointments being made, e.g. five managers and a Chief Finance Officer. That has brought about stability in areas of performance, and there is an overall good performance in all departments.

The PMS Unit has been conducting departmental visits discussing reports, and confirming the variances and corrective measures where targets were not met.

The variances and corrective measures on the targets not met forms part of the departmental reports attached as annexure.

3.6.8 CONCLUSION

The Ilembe District wishes to reinforce its commitment and dedication in ensuring the service delivery and changing the lives of the people within our district.

CHAPTER FOUR

ORGANISATIONAL DEVELOPMENT PERFORMANCE (Performance Report Part II)

4.1 INTRODUCTION

The ultimate aim is for organisational development is to better served the people and the communities within the Ilembe District area and to strive towards being a world class municipality. Transformation is part of the municipality's strategy and has to be driven from the highest level of management and leadership. It is the intention of the Ilembe District Municipality to enhance management skills to facilitate team players who will cascade the transformation assignment to the lowest levels of staff.

COMPONENT A: INTRODUCTION TO MUNICIPAL WORKFORCE

4.2 EMPLOYEE TOTAL, TURNOVER AND VACANCIES

Description	Employees				
	2011/2012	2011/2012			
	Employees No.	Approved Posts No.	Employees No.	Variance No.	Variance %
Water	186	252	186	66	73%
Waste Water (Sanitation)	38	57	38	19	67%
Electricity	0	0	0	0	0%
Waste Management	0	0	0	0	0%
Housing	0	0	0	0	0%
Waste Water (Storm water Drainage)	0	0	0	0	0%
Roads	0	0	0	0	0%
Transport	0	0	0	0	0%
Planning	4	6	4	2	66%
Local Economic Development	0	0	0	0	0%
Planning (Strategic &Regulatory)	0	0	0	0	0%
Local Economic Development	0	0	0	0	0%
Community & Social Services	180	256	180	76	70%
Environmental Protection	10	11	10	1	90%
Health	0	0	0	0	0%
Security and Safety	0	0	0	0	0%
Sport and Recreation	0	0	0	0	0%
Corporate Policy Offices and Other	0	0	0	0	0%
Totals	418	582	418	164	71%

Vacancy Rate 2011/2012			
Designations	*Total Approved Posts	*Variances (Total time that vacancies exist using fulltime equivalents)	*Variances (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	23	3	13%
Other S57 Managers (Finance posts)	4	1	25%
Senior management: Levels 13-15 (excluding Finance Posts)	23	3	13%
Senior management: Levels 13-15 (Finance posts)	4	1	25%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	32	4	13%
Highly skilled supervision: levels 9-12 (Finance posts)	14	2	14%
Total	102	14	14%

Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2011/2012		26	
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year			

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.3 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

4.3.1 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action			
2	Attraction and Retention	100%		Approved 19 June 2008
3	Code of Conduct for employees			SALGA collective agreement
4	Delegations, Authorisation & Responsibility			19/06/2008
5	Disciplinary Code and Procedures			SALGA collective agreement
6	Essential Services			NIL
7	Employee Assistance / Wellness			To be approved
8	Employment Equity			To be approved
9	Exit Management			Approved questionnaire
#	Grievance Procedures			SALGA collective agreement
#	HIV/Aids			Part of wellness plan
#	Human Resource and Development			Approved WSP 2011/12
#	Information Technology			27/11/2007
#	Job Evaluation			
#	Leave			20 July 2010
#	Occupational Health and Safety			28 July 2010
#	Official Housing			
#	Official Journeys			01/10/2003
#	Official transport to attend Funerals			1/10/2003
#	Official Working Hours and Overtime			28 July 2010
#	Organisational Rights			SALGA
#	Payroll Deductions			
#	Performance Management and Development	100%	100%	Review Approved 20 June 2012
#	Recruitment, Selection and Appointments			19-Jun-08
#	Remuneration Scales and Allowances			26/10/2006
#	Resettlement			5.8 of recruitment and selection
#	Sexual Harassment			Approved
#	Skills Development			Approved WSP 2011/2012
#	Smoking			Approved 28 July 2010
#	Special Skills			19/06/2008
#	Work Organisation			SALGA
#	Uniforms and Protective Clothing			EXCO RESOLUTION
#	Other:			

4.3.2 COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The Municipality has made much progress in the development and implementation of the required workforce policies and procedures. It is currently reviewing these to ensure their continued applicability and relevance and developing new policies and procedures where required.

4.3.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Average injury leave taken per employee	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	60	5	8%	12	6000
Temporary total disablement	60	5	8%	12	
Permanent disablement	60	5	8%	12	
Fatal	60	5	8%	12	
Total	240	20	8%	130	6000

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	1375	90%	10	30	33%	30
Skilled (Levels 3-5)	1582			22	0%	
Highly skilled production (levels 6-8)	286.5			58	0%	
Senior management (Levels 13-15)	126.5			11	0%	
MM and S57	3			8	0%	
Total	3373	90%	10	129	8%	30

* - Number of employees in post at the beginning of the year
 *Average calculated by taking sick leave in column 2 divided by total employees in column 5

4.3.3.1 COMMENT ON INJURY AND SICK LEAVE:

The Health and Safety Unit conducts training on a yearly basis on occupational Health and Safety of staff to reduce the effects of injuries. This is one of the performance measures for the unit and the effectiveness is also measured in terms of the reduction on injuries on duty with the exception on employer's negligence.

4.3.3.2 SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Manager: SCM	Financial misconduct	12-May-2012	Resigned before disciplinary action was taken	Resigned on 30/06/12
Procurement Assistant	Financial misconduct	18-May-2012	On Suspension	Not yet finalized.

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any Potential loss to the municipality	Disciplinary action taken	Date Finalised
Manager SCM	R 1 852 933.20	Resigned	30-Jun-2012
Proc. Assistant	R 1 852 933.20	Suspension	Disciplinary enquiry still outstanding

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.4 INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The MSA 2000 S68(1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

The municipality currently has 13 graduates participating in the Municipal Finance Management Internship Programme. Structured learning is also offered to the Interns in a form of Municipal Finance Management learning programmes. We have commenced with the training of Water Process Controllers to meet the requirements in terms of DWA regulations. A total of eight employees successfully completed a Water Wastewater Learner ship in April 2012.

A Workplace Skills Plan aligned to the strategic objectives of the Municipality is developed annually in compliance with the Skills Development Act and LGSETA. The main focus areas of the Workplace Skills Plan are on Financial Management Competencies, Water Wastewater Treatment, Artisan training.

Training and development of staff is funded through Municipality's own budget, LGSETA grant and Financial Management Grant.

4.4.1 COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

Currently four Financial Managers are enrolled for Municipal Competencies through Wits Business School. The budget is inadequate as the Municipality's budgets do not exceed the prescribed 1% of the total payroll.

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.5 INTRODUCTION TO WORKFORCE EXPENDITURE

Total Employees costs for the financial year under review amounted to R90, 5 mil against the budget of R95, 73mil. This represents 95% spending on salaries budget. The variance of 5% is attributed to a combination of factors, which, prime amongst such are savings resulting from staff turnover and reduction in overtime.

Overall, the employee costs represent 27% of total operational expenditure which is well within the 35% threshold as per National Treasury guidelines.

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Municipal Manager	1		0	Fixed contracts and cost to company packages. Salary is negotiable
Directors	4		1	
Deputy Director	2		2	
Managers	20		3	

CHAPTER FIVE:

FINANCIAL PERFORMANCE

iLembe District Municipality is currently dependent on grant funding with the ratio for 2011/2012 being 77:23. The operating deficit of R52 000 is mainly due to the increase in non – cash items i.e. bad debts provision and depreciation of R66 701 758. Although there was an increase of 8.9 % in total operating income including grant funding, there was also a corresponding increase of 3.6% in total operating expenditure including non-cash items. The financial performance of iLembe District Municipality is further discussed in the following components:

Component A- Statement of Financial Performance

Component B -Spending against capital budget

Component C - Cash flow management and investments

Component D - Other financial matters.

Annexure – 2011/2012 Consolidated Annual Financial Statements

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The financial health of iLembe District Municipality is as follows:

1. SOURCES OF REVENUE

The table below provides a brief overview of the sources of revenue within iLembe District Municipality, their ratio and percentage increase/decrease from the prior year:

	Increase (decrease)	2011/2012	2010/2011
Service charges	4%	17%	19%
Rental of facilities	11%	0.2%	0.3%
External Interest earned	17%	1%	1%
Interest on outstanding debtors	0.1%	4%	4%
Government grants and subsidies	24%	77%	74%
Other income	-29%	1%	2%
Total Revenue	19%	100%	100%
Internally generated	5%		27%
Grant funding	24%		73%
Revenue collection rate	(6%)	67%	73%

- iLembe received equitable share grant of R206 613 000 (2011: R 178 693 910).
- There is a high level of indigent consumers within the district especially in the rural areas.
- Indigent consumers receive 10 kilolitres of free water per month, free sewer and free basic charges.

- Debtor's balances relating to indigent consumers are written off immediately on registration as indigent on our database.

2. STANDARDS & POLICIES REGULATING REVENUE RECOGNITION & COLLECTION

- GRAP statements
- Tariff policy
- Indigent management policy
- Cash and investment policy and
- Credit control and debt collection policy

3. CURRENT REVENUE ENHANCEMENT STRATEGIES IMPLEMENTED BY ILEMBE DISTRICT MUNICIPALITY

- Data cleansing which resulted in a write –off over R111 mil worth of debt relating to deceased debtors that appeared on our consumer database, prescribed debts and task team approval.
- Aggressive debt collection strategies which resulted in a significant increase in revenue collection in the last two months of the financial year.
- A Consumer Queries Task was also established to address consumer queries that are outside the debt collection and credit control policy.
- There has been a challenge in receiving the data cleansing funding from DBSA which has caused a delay in the data cleansing project.
- A letter of complaint is being prepared to be sent to DBSA so they can accelerate the transfer of funds so the data cleansing project can continue.

4. EXPENDITURE PATTERNS AND STATUS

The table below provides a brief overview of the total expenditure of ILembe District Municipality

	2011/2012	2010/2011
Employee related costs	R 91 098 375	R 81 374 612
Bad debts provision	R 43 601 446	R 47 376 895
Depreciation and amortisation expense	R 23 100 313	R 19 543 637
Repairs and maintenance	R 20 294 089	R 14 356 568
Finance costs	R 10 983 831	R 12 363 098
Bulk purchases	R 51 715 106	R 44 870 810
Contracted services	R 10 710 440	R 8 147 211
Grant Expenses	R 35 323 432	R 58 153 324

General expenses	R 87 416 736	R 75 011 594
Total operating expenditure	R 379 675 264	R 366 544 533
Total capital expenditure	R 140 438 000	R 215 033 000

4.1 OPERATING EXPENDITURE

- Operating expenditure includes the following non-cash items :

Bad debts provision	R 43 601 446	R 47 376 895
Depreciation and amortisation expense	R 23 100 313	R 19 543 637
Total	R 66 701 759	R 66 920 532

4.2 CAPITAL EXPENDITURE

- Percentage spending on capital expenditure for 2011/2012 is **98%** compared to 2010/2011 which was **46%**

4.3 SCM POLICIES & PROCEDURES & COMPLIANCE THEREOF

- There is an approved SCM policy that complies with MFMA SCM regulations.
- An assessment of the ILembe District Municipality's SCM compliance by Provincial Treasury reflected an overall compliance with MFMA SCM regulations and circulars.
- ILembe District Municipality follows the SCM policy approved by council, however, in exceptional cases where non-compliance occurs the expenditure is recognised and disclosed as irregular expenditure on the financial statements.
- There is an annual procurement plan in place that is closely monitored to ensure that there are no delays in the awarding of contracts.
- Application of section 36 of the MFMA SCM regulations is closely monitored to ensure that it not abused by officials.
- Of the total expenditure of R594 709 000 (2011: R 506 983 000); an irregular expenditure of R 30 881 207 and R 8 697 996 was incurred, which is 5% and 2% respectively.
- The reason for the increase is due mainly to service providers providing fraudulent tax clearances, incorrect application of regulation 36 of the SCM regulations, service providers in service of the state submitting false declaration.

5.1 STATEMENT OF FINANCIAL PERFORMANCE

FINANCIAL SUMMARY						
Description	2010/11	Current Year 2011/12			2011/12 Variance	
	actual	Original budget	Adjusted Budget	Actual	Original budget	Adjusted Budget
FINANCIAL PERFORMANCE						
Property rates	0	0	0	0	0	0
Service charges	92 197	116 655	104 551	95 733	20 922	8 818
Investment revenue	5 599	6 119	6 119	6 527	(408)	(408)
Transfers recognized – operational	224 600	213 603	250 996	250 878	(37 275)	118
Other own revenue	26 326	27 980	63 351	26 484	1 496	36 867
Total Revenue (excl capital transfers and	348 722	364 357	425 017	379 622	(15 265)	45 395
Employee costs	81 375	98 431	95 726	91 098	7 333	4 628
Remuneration of councilors	5 347	6 781	6 035	5 431	1 350	604
Depreciation and asset impairment	19 544	18 000	31 500	23 100	(5 100)	8 400
Finance charges	12 363	11 320	11 749	10 984	336	765
Materials and bulk purchases	59 227	81 009	78 648	72 009	9 000	6 639
Transfers and grants	58 153	0	44 821	35 323	(35 323)	9 498
Other expenditure	130 536	148 487	151 432	141 728	6 759	9 704
Total Expenditure	366 545	364 029	419 913	379 675	(15 646)	40 238
Surplus (Deficit)	(17 822)	328	5 104	(52)	(276)	5 052
Transfers recognized - capital	126 078	188 657	182 362	182 798	5 859	(436)
Contributions recognized – capital and contributed	0	0	0	0	0	0
Surplus/(Deficit) after capital transfers & contributions	108 256	188 985	187 466	182 746	6 239	4 720
Share of surplus/(deficit) of associate	0	0	0	0	0	0
Surplus/(deficit) for the year	108 256	188 985	187 466	182 746	6 239	4 720
CAPITAL EXPENDITURE AND FUNDS SOURCES						
Capital Expenditure	140 438	254 825	218 647	215 033	39 792	3 614
Transfers recognized – capital	128 334	188 657	182 362	182 746	5 911	(384)
Public contributions & donations	0	0	0	0	0	0
Borrowing	0	0	0	0	0	0
Internally generated funds	12 103	66 168	36 285	32 287	33 881	3 998
Total sources of capital funds	140 438	254 825	218 647	215 033	39 792	3 614
FINANCIAL POSITION						
Total current assets	121 483	348 626	123 800	89 886	258 740	33 914
Total non-current assets	727 681	701 578	819 700	920 876	(219 298)	(101 176)
Total current Liabilities	120 864	416 958	105 500	109 098	307 860	(3 598)
Total non-current liabilities	108 825	107 134	107 800	102 153	4 981	5 647
Community wealth/equity	619 475	350 000	730 200	799 511	(449 511)	(69 311)
CASH FLOWS						
Net cash from (used) operating	110 345	252 068	160 580	186 698	65 370	(26 118)
Net cash from (used) investing	(121 861)	(252)	(163 352)	(216 183)	(36 395)	52 831
Net cash from (used) financing	(1 079)	(5 305)	(2 849)	(3 034)	(2 271)	185
Cash / cash equivalents at the year end	62 622	90 470	57 000	30 103	60367	26 897
CASH/BACKING SURPLUS RECONCILIATION						
Cash and investments available	105 552	159 025	81 400	48 786	110 239	32 614
Application of cash and investments	114 989	(199)	(3 425)	37 016	(236 522)	(40 441)
Balance- surplus (Shortfall)	(9 437)	358 531	84 825	11 770	346 761	73 055
ASSET MANAGEMENT						
Asset register summary (WDV)	734 779	237 376	800 450	900 272	(662 896)	(99 822)
Depreciation and asset impairment	19626	18 100	31 600	23 100	(5 000)	8 500
Renewal of Existing assets	20 084	24 200	24 200	21 200	3 000	3 000
Balance – surplus (shortfall)						
FREE SERVICES						
Cost of free Basic services provided	6 669	5 566	5 566	6 528	(962)	(962)
Revenue cost of free service provided	6 906	5 741	5 741	6 616	(875)	(875)
Households below minimum service level						
Water:	50	33	37	40	(7)	(3)

ILEMBE DISTRICT MUNICIPALITY

Sanitation/Sewerage	53	46	47	43	3	4
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FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES						
R'000						
Description	2010/11	2011/12			2011/12 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	196 427	191 352	252 326	214 604	(23 252)	37 722
Waste water (Sanitation)	29 595	30 400	20 826	42 248	(11 848)	(21 422)
Electricity	0	0	0	0	0	0
Waste management	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Component A: Sub Total	226 022	221 752	273 152	256 852	(35 100)	16 300
Planning & Development Regulatory)	50 656	16 359	23 351	12 295	4 064	11 056
Local Economic Development	0	0	0	0	0	0
Component C: sub-total	50 656	16 359	23 351	12 295	4 064	11 056
Community & Social Services	9 196	9 581	6 661	3 438	6 143	3 223
Environmental Protection	270	483	383	226	257	157
Finance & Admin	50 529	83 185	83 700	75 095	8 090	8 605
Road Transport	0	0	0	0	0	0
Sport and Recreation	0	0	0	0	0	0
Executive & Council	29 872	40 052	37 311	31 769	8 283	5 542
Component D: Sub-total	89 866	133 301	128 055	110 528	22 773	17 527
TOTAL EXPENDITURE	366 545	371 412	424 558	379 675	(8 263)	44 883
In this table, operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in Chapter 3. Variances are calculated by dividing the difference between actual and original / adjustments budget by the actual						

5.2 GRANTS

GRANT PERFORMANCE						
R'000						
Description	2010/11	2011/12			2011/12 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
OPERATING TRANSFER & National Government						
Equitable Share	178 694	206 729	206 729	206 729	0	0
Municipal Systems Improvement	794	790	853	853	(63)	0
Department of water Affairs	0	0	0	0	0	0
Levy replacement	0	0	0	0	0	0
Finance Management Grant	565	1 250	1 695	1 785	(445)	(90)
MIG Operational	0	0	27 800	28 210	(28 210)	(410)
Water Services Operating Grant	0	0	1 000	0	0	1 000
Other transfers/grants:						
Provincial Government						
Municipal Turnaround Strategy	400	400	400	68	332	332
Land Management Programme	757	800	1 800	342	458	1 458
Strategic Support	76	700	0	0	700	0
Broadband	2 500	0	0	0	0	0
Shared Services	2 743	2 634	3 207	2 721	(87)	486
World Cup Grant	3 508	0	0	0	0	0
Corridor Funding	31 416	0	4 000	1 000	(1 000)	3 000
Restoration to Beaches	2 952	0	0	0	0	0
Environmental Management Plan	0	0	1 500	404	(404)	1 096
IGR Grant	0	0	417	343	(343)	74

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Other transfers/grants:						
District Municipality						
Other grant providers	195	300	1 595	8 423	(8 123)	(6 828)
TOTAL	224 600	213 603	250 996	250 878	(37 275)	118

Variances are calculated by dividing the difference between actual and original / adjustments budget by the actual

GRANTS RECEIVED FROM SOUCES OTHER THAN DIVISION OF REVENUE ACT (DORA)

Details of Donor	Actual Grant 2010/11	Actual Grant 2011/12	2011/12 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, inc description of any contributions in kind
Parastatals						
A - COGTA	1 000	1 611				Shared Services within the district (with the local municipality)
A – LG SETA	250	486				Provision of training for staff in the municipality
B - COGTA	1 500	0				Development of the environmental management framework
B - DWA	0	3 295				Water conservation & demand management plan
DBSA	0	1 967				Setting up the disaster management centre
ACIP	0	5 944				Refurbishment of waste water works

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

Invoices for new assets are obtained by Assets Clerks from the Expenditure Unit to update Fixed Asset Register. Fixed Assets Register is reviewed by Manager Assets to ensure that capturing of invoices is done correctly. Verification of movable assets is performed on quarterly basis. Physical verification of infrastructure assets is done annually.

Asset management policy outlines the following key elements;

The format of fixed asset register

Classification of fixed asset register

Initial recognition of assets

Measurement at recognition and after recognition

Maintenance of assets

Depreciation of assets i.e depreciation rates and depreciation method

Assessment of assets useful lives

Verification of assets

Impairment of assets

Assets Management Unit consists of three personnel, Manager Assets and two SCM Interns who perform the duties of Assets Clerks.

Key development areas include the following :

Misclassification of asset transactions on repairs and maintenance votes,

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Lack of communication if assets are moved or transferred to other sites or offices which results in challenges when performing assets verification

Lack of communication if assets are damaged or impaired

Lack of communication on completion dates of projects which results in understatement of depreciation.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2011/2012

Asset 1

Name	Reservoir	Water tank	Pipeline	Treatment works
Description	Maqumbi reservoir	Water Tank	Pipeline for Ngcebo community project	Sundumbili water treatment works
Asset Type	Water asset	Water Asset	Water Asset	Water Asset
Key Staff involved	Director:Technical, Managers:WSP Technical Officers	Director:Technical, Manager:WSP Technical Officers	Director:Technical, Manager:WSP, Technical Officers	Director:Technical, Manager:WSP Technical Officers
Staff Responsibilities	Provide water services to community	Provide water services to community	Provide water services to community	Provide water services to community
	2008/2009	2009/2010	2010/2011	2011/2012
Asset Value	7,908,735.47	12,706,262.96	22,765,081.55	7,147,829.65
Capital Implications				
Future purpose of Asset	Supply water to community	Supply water to community	Supply water to community	Supply water to community
Describe key issues	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets
Policies in place to manage asset	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan

Asset 2

Name	Reservoir	Reservoir	Distribution pipeline	Sewer pipeline
Description	Reservoir	Reservoir	Distribution pipeline	Sewer pipeline
Asset Type	Water asset	Water asset	Water asset	Sewer asset
Key Staff involved	Director Technical, Manager: WSP, Technical Officers	Director Technical, Manager: WSP, Technical Officers	Director Technical, Manager: WSP, Technical Officers	Director Technical, Manager: WSP, Technical Officers
Staff Responsibilities	Provide water services to community	Provide water services to community	Provide water services to community	Provide water services to community
	2008/2009	2009/2010	2010/2011	2011/2012
Asset Value	6,847,431.69	8,776,378.49	12,692,389.13	5,585,606.85
Capital Implications				
Future purpose of Asset	Supply water to community	Supply water to community	Supply water to community	Supply water to community
Describe key issues	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets
Policies in place to manage asset	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan

Asset 3

Name	Clarifier tank	Water mains	Distribution pipeline	Sewer Reticulation
Description	Clarifier tank	Water mains	Distribution pipeline	Sewer Reticulation
Asset Type	Water Asset	Water Asset	Water Asset	Sewer Asset
Key Staff involved	Director Technical, Manager : WSP Technical Officers	Director Technical, Manager : WSP Technical Officers	Director Technical, Manager : WSP Technical Officers	Director Technical, Manager : WSP Technical Officers

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Staff Responsibilities	Provide water services to community	Provide water services to community	Provide water services to community	Provide water services to community
	2008/2009	2009/2010	2010/2011	2011/2012
Asset Value	4,893,298.64	8,602,809.51	11,883,404.78	5,317,135.29
Capital Implications				
Future purpose of Asset	Supply water to community	Supply water to community	Supply water to community	Supply water to community
Describe key issues	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets	Maintenance of infrastructure assets
Policies in place to manage asset	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan	Assets maintenance plan

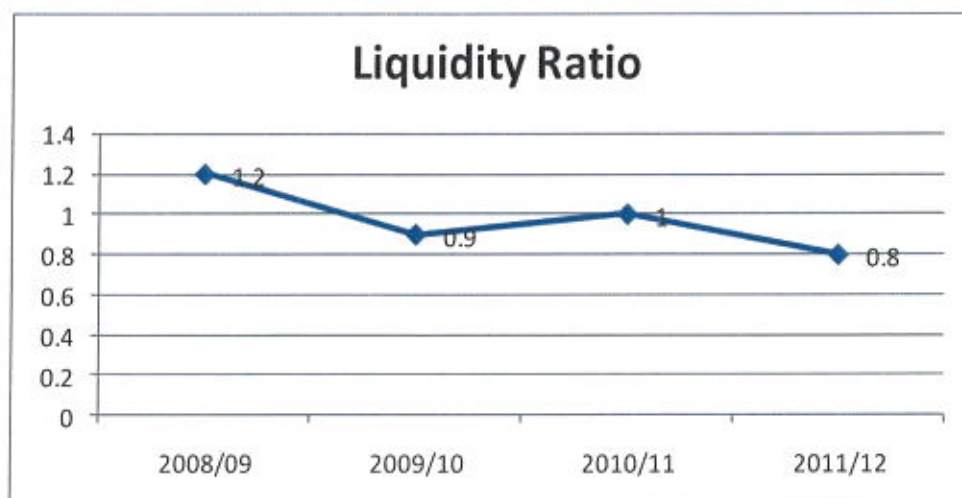
COMMENT ON ASSET MANAGEMENT:

Some of the assets listed above were approved in the previous year and the relevant projects were completed in the 2011/2012 financial year. The Municipality evaluates costs during the planning stage of all projects.

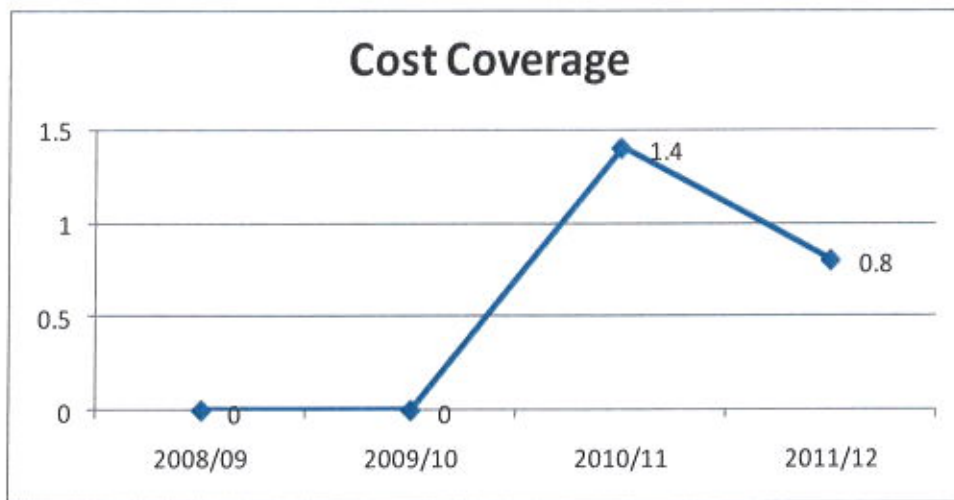
REPAIR AND MAINTENANCE EXPENDITURE 2011/12				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	27 990	26 629	20 294	6 335

Repairs and maintenance expenditure is quite low compared to the value of the infrastructure, more funding must be sourced to ensure that all council assets are adequately repaired and maintained.

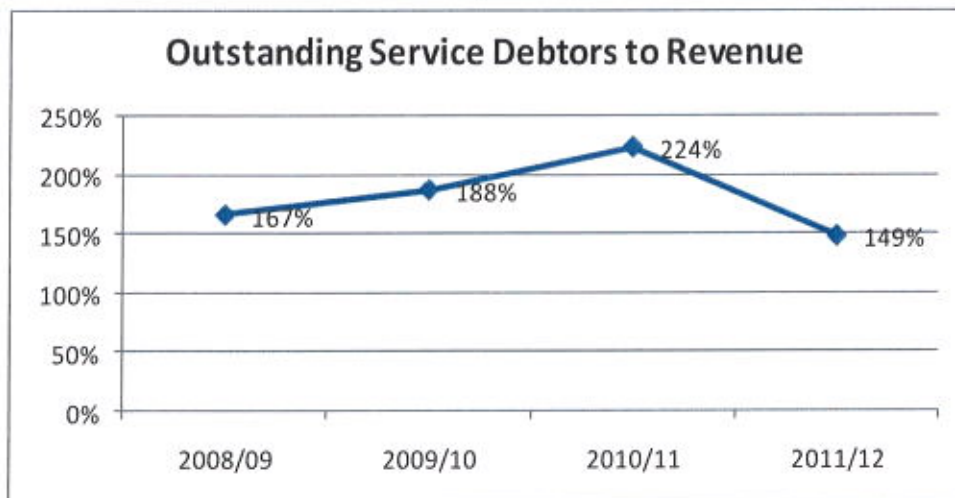
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



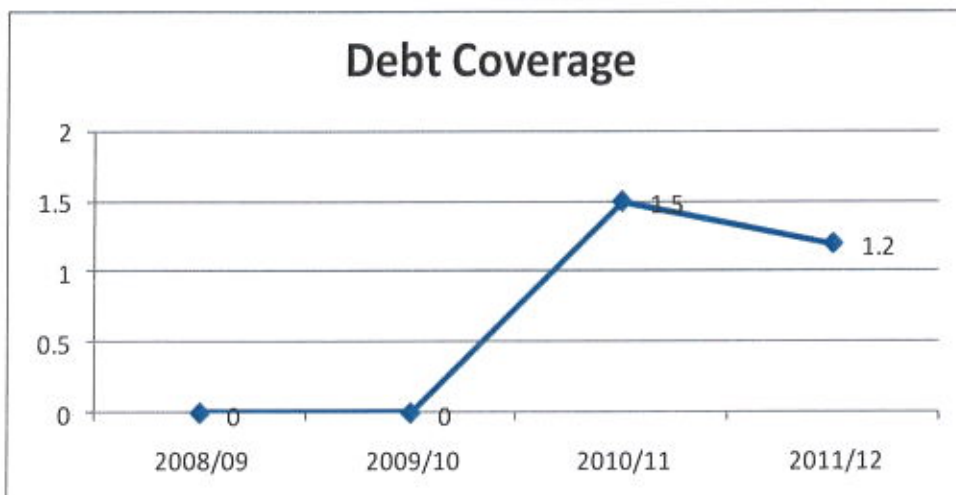
Liquidity Ratio – Measures the Municipalities ability to pay its bills and is calculated by dividing to monetary assets by the municipalities current liabilities. A higher ratio is better



Cost Coverage – It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilization of grants



Outstanding Service Debtors to revenue – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.



Debt Coverage – The number of times debt payments can be accommodated within Operating Revenue (excluding grants). This in turn represents ease with which debt payments can be accommodated by the municipality

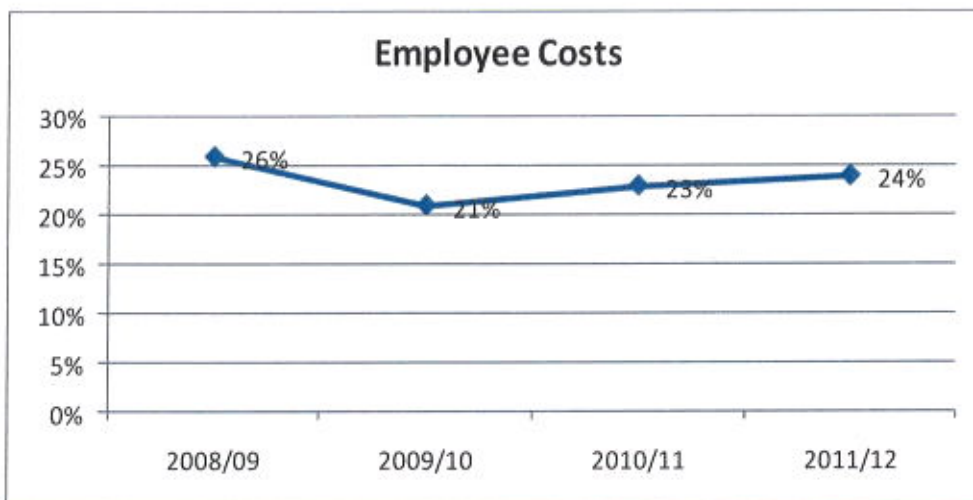
Creditors' efficiency system is as follows:

2008/2009 - No data available

2009/2010 – 90%

2010/2011 – 91%

2011/2012 – 81%



Employee cost - Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue



Repairs and Maintenance - This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

Percentage spending on capital expenditure for 2011/2012 is **98%** compared to 2010/2011 which was **46%**, refer to financial performance table for more details

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash and equivalents for 2012/2011 and 2011/2010 are R 30 103 286 (2011: R 62 622 071) respectively. Of the total cash on hand R 27 842 295 (2011: R 28 947 925) is ring-fenced for unspent conditional grants. All unspent conditional grants are cash backed. Although Ilembe District Municipality is in a positive cash flow position, the revenue collection rate needs to be improved on so that cash resources are not strained.

5.5 CASH FLOW

CASH FLOW OUTCOMES R'000				
Description	2010/11	Current Year 2011/12		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers & others	77 293	144 635	201 582	81 675
Government – operating	224 600	223 085	226 613	250 878
Government – capital	126 078	204 805	134 647	182 799
Interest	5 599	7 119	7 074	6 527
Dividends	0	0	0	0
Payments				
Suppliers and employees	(310 861)	(325 440)	(398 444)	(324 197)
Finance charges	(12 363)	(5 655)	(9 437)	(10 984)
Transfers and Grants	0	0	0	0
NET CASH FROM (USED) OPERATING ACTIVITIES	110 345	248 549	162 035	186 698
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	0	700	0	0
Decrease (increase) in non-current debtors	0	15	0	0
Decrease (increase) in non-current receivables	10	0	0	287
Decrease (increase) in non-current investments	(1 433)	1 532	(1 446)	(1 437)
Payments				
Capital Assets	(120 438)	(254 825)	(184 046)	(215 033)
NET CASH FROM (USED) INVESTING ACTIVITIES	(121 861)	(252 578)	(185 492)	(216 183)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short Term Loans	2 839	0	0	680
Borrowing long term/refinancing	(1 797)	0	0	(1 592)
Increase (decrease) in consumer deposits	282	350	350	253
Payments				
Repayment of borrowing	(2 403)	(5 655)	(3 199)	(2 375)
NET CASH FROM (USED) FINANCING ACTIVITIES	(1 079)	(5 305)	(2 849)	(3 034)
NET INCREASE (DECREASE) IN CASH HELD	(12 595)	(9 334)	(26 307)	(32 519)
Cash / cash equivalents in the year begin:	75 217	98 742	88 307	62 622
Cash / cash equivalents at the year end:	62 622	89 408	62 000	30 103

COMPONENT D: OTHER FINANCIAL MATTERS

5.6 FINANCIAL POSITION

5.6.1 SOLVENCY

An entity is solvent if its total assets fairly valued exceeds its total liabilities. ILembe District Municipality's total Assets for 2011/2012 and 2011/2010 are R 1 100 649 055 and R970 647 159 respectively. Total Liabilities are R 320 349 700(2011: R 350 553 186). Total assets exceeds total liabilities by R 799 511 494 (2011: 619 475 236 respectively. Therefore the municipality appears solvent i.e. has enough assets to pay its obligations and to generate revenue and/or continue provide service delivery

5.6.2 LIQUIDITY

The liquidity relates to the entity's ability to meet its current obligations as they fall/become due. The norm or baseline for various industries in the private sector is 2:1 i.e. current assets: current liabilities, National Treasury is still in the process of establishing industry norms for the local government sector. Total current assets: current liabilities for Ilembe District Municipality for 2012/2011 and 2011/2010 is 89 886 370: R 109 098 509 (2011: R 121 482 937: R 120 864 199. The ratio is therefore 0.8:1 for 2011-2012 and 1:1 for 2010-2011. The major reason for the decline in the current ratio for 2011/2012 is the increase in the Provision for bad debts which ultimately reduced the debtors balance as at year end.

Total number of days cash on hand which relates to how long the municipality may operate with the available cash on hand with the ideal of between 30 to 60 days for Ilembe District Municipality as determined the audit committee of Ilembe District Municipality. Total number of days cash on hand for Ilembe District Municipality for 2012/2011 and 2011/2010 is 45.5 days and 30 days respectively.

5.6.3 SUSTAINABILITY

An entity is said to be sustainable if it can continue as a going-concern in the foreseeable future. This is mainly determined by the entity's ability to invest in and adequately maintain assets that generates revenue, its ability to correctly bill and collect revenue. ILembe District Municipality has a reasonable amount of infrastructure assets to generate revenue, however, still requires more funding to invest on more infrastructure assets and maintenance thereof. As reported above the average revenue collection rate is 67% for the 2011- 2012, strategies are however, in place to improve the collection rate.

CHAPTER SIX:

Auditor General Audit Findings

ILembe District Municipality has received an unqualified audit reports with other matters for the past 3 consecutive years. There were 3 main emphasis of matter for the 2010/2011 financial year i.e.

Unauthorised expenditure of R47 933 899 of which R29 071 604 of the R47 933 899 relates to non-cash items like Depreciation, Amortisation, bad debts provision and IAS 19 adjustments; **Irregular expenditure of R8 697 996** and **water losses of 9.3 kilolitres with a sales value of R63.4 million and a purchase value of R20,2 million.**

All 2010/2011 audit queries raised by the auditor general were addressed and controls put in place to prevent and/or detect re-occurrence. The municipality is however still experiencing a challenge with regards to payment of creditors within 30 days, contract awards to people in service of the state and calculating the provision for bad debts in way acceptable by the auditor general. Processes are being monitored to resolve the issue of creditors' payments within the required timeframes. National Treasury was approached to assist with the system that would assist municipalities in identifying persons in service of the state and they have not yet found a system.

However, in an attempt to deal with the issue, MFMA circular 62 was issued to provide guidance for the 2011/2012 audit and how to deal with false declarations from bidders. A full report on progress on issues raised by the auditor general for the 2010/2011 audit and the audit report for 2011/2012 is attached as an annexure to this chapter for more details.

COMPONENT A:

AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS OF 2010/2011

6.1 AUDITOR GENERAL REPORTS 2010/2011

AUDITOR GENERAL REPORT ON FINANCIAL PERFORMANCE 2010/11	
Audit Report Status*	Unqualified Audit with emphasis of matter
Non-Compliance Issues	Remedial Action Taken
Material misstatements of provision for bad debts, grants and irregular expenditure in the AFS submitted for audit.	AFS were reviewed by management and submitted to Internal audit and Audit committee for further review before submission to the auditor general.
Irregular, unauthorized and fruitless and wasteful expenditure was incurred.	Processes were put in place to prevent and/or detect re-occurrence, hence only irregular expenditure reported in the 2011/2012 year.
The multi - year business plan between the IDM and Enterprise ILembe did not include key financial and non-financial performance objective and measurement criteria.	The issue was resolved hence no findings in the 2011/2012 year.

Note* The report status is supplied by the Auditor General and ranges from clean (at best) to un-qualified and other matters specified, qualified, adverse, and disclaimed (at worse)

COMPONENT B:

AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS OF 2011/2012

6.2 AUDITOR GENERALS REPORT 2011/2012

AUDITOR GENERAL REPORT ON FINANCIAL PERFORMANCE 2011/12	
Audit Report Status*	Unqualified with emphasis of matter
Non-Compliance Issues	Remedial Action Taken
Material misstatements of provision for bad debts, provisions, accruals, property, plant and equipment, grant expenditure and revenue in the AFS submitted for audit.	Processes are put in place to ensure that these misstatements do not occur in the 2012/2013 financial year.
Failure to prevent irregular expenditure from occurring.	A new SCM Manager has been employed and processes are in place to resolve this issue.
Note* The report status is supplied by the Auditor General and ranges from clean (at best) to un-qualified and other matters specified, qualified, adverse, and disclaimed (at worse)	

APPENDICES

APPENDIX A

Committees

Speaker : Councillor T Msweli (Ex-officio a member of all Portfolio Committees)

Councillor M W Sithole is currently not a member of any committee

Committee	Chairman and Contact Details	Member and Contact Details
Executive Committee	S W Mdabe (Mayor) : 082 410 3602	M D Shandu (Deputy Mayor) : 0712680607 A Badul : 0826992917 N J Nkwanyana : 0847365183 T J Zondo : 0835167764
Economic Development and Planning Portfolio Committee	S W Mdabe (Mayor) : 082 4103 602	N V Chilli : 072 310 6698 C T Kumalo : 079 210 1948 C R Marsh : 083 782 1011 G N Mbonambi : 083 782 1011 C P Ngidi : 076 129 4363 F P Nkosi : 072 602 3894 M S Ntuli : 073433 9540 R N Pakkies : 073 433 9540 L M Zondi : 072 522 7723
Amenities Safety and Security Portfolio Committee	N J Nkwanyana : 084 736 5183	S M Cele : 072 0153146 F Govender : 083 344 5205 C T Kumalo : 079 210 1948 N S Kunene : 073 003 7360 L R Mdletshe : 073 102 6256 L M Ndlovu : 072 799 4233 M P Ntuli : 082 055 3196 M S Ntuli : 073 433 9540 N S Sithole : 073 003 7360 S G Xhakaza : 082 581 7102
Infrastructure and Technical Portfolio Committee	T J Zondo : 083 516 7764	E L Dube : 076 697 0607 N S Kunene : 073 003 7360 G N Mbonambi : 083 782 1011 C R Marsh : 083 782 1011 M S C Motala : 082 465 9804 N G Mthethwa : 083 697 5442 L M Ndlovu : 072 799 4233 C P Ngidi : 076 129 4363 O L Nhaca : 073 819 8382 Z S Thoolsi : 083 782 1011
Finance Portfolio Committee	A Badul : 082 699 2917	S M Cele : 072 0153146 N V Chilli : 072 310 6698 C R Marsh : 083 782 1011 M S C Motala : 082 465 9804 O L Nhaca : 073 819 8382 M P Ntuli : 082 055 3196 T S Sosiba : 083 727 2208 L M Zondi : 072 522 7733
Local Public Administration and Labour Relations Portfolio Committee	M D Shandu (Deputy Mayor) : 071 268 0607	E L Dube : 076 697 0607 F Govender : 083 344 5205 L R Mbonambi : 072 650 8341 L R Mdletshe : 073 102 6256 N G Mthethwa : 083 697 5442 C P Ngidi : 076 129 4363 F P Nkosi : 072 602 3894 R N Pakkies : 073 433 9540 T S Sosiba : 083 727 2208 S G Xhakaza : 082 581 7102
Municipal Public accounts Committee	C R Marsh : 083 782 1011	S M Cele : 072 0153146 N V Chilli : 072 310 6698 M S C Motala : 082 465 9804 M P Ntuli : 082 055 3196

COMMITTEES AND THEIR FUNCTIONAL AREAS

EXECUTIVE COMMITTEE

1. Performs the functions of an Executive Committee set out in the Local Government : Municipal Structures Act, 1998.
2. Takes such action as may be necessary to ensure compliance by the council with all legislation relating to or affecting local government, including, but not limited to :-

The Local Government : Municipal Demarcation Act, 1998
The Local Government : Municipal Systems Act, 2000
The Local Government : Municipal Systems Act, 2000
The Promotions of access to information Act, 2000
The Local Government : Municipal Finance Management Act, 2003
3. Exercise all Powers of the council which may be delegated by the council in terms of the Constitution or any other law and which has not been delegated or assigned to and Municipal Functionary or municipal employee or is not deemed to be so delegated or assigned in terms of any law;
4. Considers and determines any particular matter or issue or any matter of policy referred to the Committee by the Municipal Manager;
5. Takes any necessary or incidental decisions for the management or administration of any resolution of the Council.

FINANCE PORTFOLIO COMMITTEE

1. Audit
2. Budget Monitoring;
3. Credit Control Monitoring;
4. Expenditure Monitoring;
5. Imposition and collection of taxes, levies and duties related to the functions of the Municipality
6. Income Monitoring
7. Indigent Support Programme Monitoring;
8. Receipt, allocation and, if applicable, the distribution of grants made to the District Municipality; and
9. Supply Chain Management policy oversight

ECONOMIC DEVELOPMENT AND PLANNING PORTFOLIO COMMITTEE

1. Abattoirs serving a major proportion of the municipalities in the District;
2. Fresh produce markets serving a major proportion of the municipalities of the District;
3. Integrated Development Planning for the District;
4. Municipality airports serving the area of the District as a whole;
5. Promotion of a safe and healthy environment, including:-
 - (i) Conservation;
 - (ii) Environmental Planning;
6. Promotion of local tourism for the area of the District; and
7. Promotion of social and economic development, including:-
 - (i) Agricultural
 - (ii) Industrial Development
 - (iii) Job creation
 - (iv) Social Empowerment;
 - (v) Town Planning
 - (vi) Cultural Upliftment; and
 - (vii) Poverty Alleviation

AMENITIES, SAFETY AND SECURITY PORTFOLIO COMMITTEE

1. Cemeteries and crematoria serving the area of a major proportion of municipalities in the District;
2. Disaster management;
3. Fire fighting services the area of the District as a whole;
4. Municipal Health Services; and
5. Sport and Recreation

INFRASTRUCTURE AND TECHNICAL PORTFOLIO COMMITTEE

1. Bulk Supply of electricity
2. Domestic waste-water and sewage disposal systems;
3. Municipal fleet Management
4. Municipal Buildings
5. Municipal public works relating to the functions of the Municipality;
6. Municipal roads which form a part of the road transport system for the area of the District as a whole;
7. Potable water supply systems
8. Regulation of passenger transport services
9. Solid waste disposal sites serving more than one local municipality in the District; and
 - Although this is a statutory function of the District Municipality, the function has not yet been assigned to the municipality

LOCAL PUBLIC ADMINISTRATION AND LABOUR RELATIONS PORTFOLIO COMMITTEE

1. Human Resource Development;
2. Labour Relations; and
3. Local Public Administration

APPENDIX B

Appendix B

REPORT OF THE ADUIT COMMITTEE TO THE COUNCIL OF ILEMBE DISTRICT MUNICIPLAITY

FOR THE YEAR ENDED 30 JUNE 2012

The iLembe District Municipality Audit Committee presents its report to the Council for the year ended 30 June 2012, below.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No.56 of 2003 (Section 166)

Audit Committee members' rand attendance at meetings

The Audit Committee comprised of 5 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter. Additional meetings may be called for as the need arises. Members' attendance at the meetings is listed below:

Name	No of meetings attended	15 Aug 2011	29 Aug 2011	07 Dec 2011	15 Dec 2011	27 Jan 2012	30 Mar 2012	01 June 2012
Mrs C Jugnarain (Chairperson)	7	√	√	√	√	√	√	√
Mr D Bosch (Deputy Chairperson)	7	√	√	√	√	√	√	√
Mr J Muir	6	√	√	√		√	√	√
Mr S Nel	3			√	√		√	
Mr S E Sithole	4	√	√	√	√			

- Mr. SE Sithole resigned from the Audit Committee with effect from 21 August 2012

The Mayor of the Municipality and Chairperson of the Municipal Public Accounts Committee are invited to the Audit Committee meetings.

Audit Committee responsibility

The Audit committee has been set up in accordance with the Municipal Finance Management Act, No. 55 of 2003 (Chapter 14, Section 166) and operates within the terms of the Audit Committee Charter approved by the Council of the iLembe District Municipality.

Section 121(3)(i) of the municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include recommendations of the Municipality's Audit Committee

In the Court of its duties, the audit Committee has performed the following statutory duties:

1. Reviewed internal financial control and internal audits

The internal audit function was operational for the financial year.

The internal plan for the financial year ending 30 June 2012 was circulated to the members of the Audit Committee via email on 5 March 2012 and approved by the members of the Audit Committee.

Nine internal audit reports were completed and tabled at the Audit Committee meetings during the year. The internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the process in the place, internal audit conducts follow up audits on previously reported internal audit findings and report progress to senior management and the Audit Committee.

The Audit committee has expressed concern that the overall internal audit conclusions indicated an inadequate control framework resulting in significant weaknesses being noted in certain areas. Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continue monitoring.

2. Risk Management

Management with the assistance of Provincial Treasury has conducted a risk identification workshop on 6 June 2012, to identify strategic risks with the potential to impede the Municipality's ability to achieve its objective and programme goals. The risk register has not yet been finalised. Internal audit will in the development of their 2012/2013 internal audit plan, give consideration to the critical risks include in the risk register.

The Municipality has appointed a risk officer who will facilitate the execution of the risk management processes as a key enabler to achieving the business objectives and programme goals of the Municipality.

The Municipality has also established a risk management committee to assist the Municipal Manager and Council in the effective discharge of their responsibilities for risk management and internal controls by reviewing effectiveness of the Municipality's risk management systems, practices and procedures and providing recommendations for improvement. The combined risk management committee presently being steered by Provincial Treasury, also addresses the risks issues of the Municipality Entity. The risk management committee reports to the audit committee on a quarterly basis.

3. Review of financial statements and accounting policies

The audit committee, during its review of the financial statements for the year ended 30 June 2012, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting practices (GRAP)

The audit committee satisfied that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act and GRAP and, pending certain adjustments be made has approved the annual financial statements for submission to the Auditor-General.

4. The adequacy, reliability and accuracy of financial reporting and information

No information furnished by Internal Audit, the Auditor-General and management itself, that has caused the Audit Committee to believe that the Municipality's system of internal financial control is not effective and does not form a basis for the preparation of reliable financial statements.

5. Performance management

The Audit Committee also serves as the performance Audit Committee for iLembe District Municipality.

The Audit Committee reviewed the four quarterly performance reports, and the internal audit reports on performance management for 2011/2012 based on the organisational scorecard.

The Audit Committee is pleased to note that the overall performance of the Municipality was good. In 2011/2012 the Municipality met 62% of their targets. There were a total of 68 targets in the scorecard of which 42 were met. In 2010/2011 the Municipality has a success rate of 74% based on 20 targets being met out of a total 27 in its organisation scorecard.

The Audit Committee is pleased to note that the overall internal audit ratings of the effectiveness of internal controls around performance management is satisfactory and controls are in place to provide management with reasonable assurance that risks will not materialize but there is room for improvement.

6. Effective governance

The Audit Committee has satisfied itself that the external auditor was independent of the Municipality, as required by the Public Audit Act, No. 25 of 2004.

The Audit Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the municipality to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the council and these functions. The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

7. Compliance with legislation and ethics

The Audit Committee has noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations.

The areas of non-compliance have been noted, mainly through the reports submitted by internal audit. The non-compliance and recommendations to management have been documented in the internal audit reports. In these internal reports, management have provided comments on the findings, recommendations and timing of the action thereof.

Recommendations

- Council should ensure that a proper, fully capacitated and competent internal audit function is in place.
- Council should implement a vigorous debt collection policy
- Management should ensure that accurate, reliable and complete financial and performance information is submitted monthly for review by Council.
- Management should interact with the external auditors for internal audits with a view to identify and address shortcomings timely.

Conclusion

The Audit Committee is of the opinion that in addition to the recommendations to Council, management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by both Internal Audit, the Auditor-General and senior management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring.

On behalf of the Audit Committee

Mrs. Charmine Jugnarayan
Chairperson
29 August 2012

APPENDIX C

Appendix C

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Functions applicable to Municipality (Yes/No)*	Functions Applicable to Entity (Yes/No)
Constitution Schedule 4, Part B Functions:		
Air pollution		No
Building regulations		No
Child care facilities		No
Electricity and gas reticulation		No
Fire fighting services		No
Local tourism	Yes	Yes – Ei
Municipal airports	Yes	No
Municipal Planning	Yes	No
Municipal health services	Yes	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation and national shipping and matters related thereto		No
Storm Management systems in built-up areas	Yes	Yes – Siza Water
Trading regulations	No	No
Water and sanitation services limited to portable water supply systems and domestic waste-water and sewage disposal systems	Yes	

APPENDIX D

APPENDIX D

Declaration of returns not made in due time under MFMA s71

The reports were submitted on time therefore there is no declaration to be made.

APPENDIX E

Consolidated Annual Financial Statements

for

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

for the year ended 30 June: 2012

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mike Newton
Name of Chief Financial Officer:	Nosipho Mba
Contact telephone number:	032 437 9503
Contact e-mail address:	nosipho.mba@ilembe.gov.za
Name of contact at provincial treasury:	Keneue Mofoka
Contact telephone number:	033 8974400
Contact e-mail address:	keneue.mofoka@kzntreasury.gov.za
Name of relevant Auditor:	AGSA
Contact telephone number:	033 264 7600
Contact e-mail address:	sagier@agsa.co.za
Name of contact at National Treasury:	Matsie Sehlapelo
Contact telephone number:	012 315 5295
Contact e-mail address:	Matsie.Sehlapelo@treasury.gov.za

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

His Worship, Councillor Sibusiso Welcome Mdabe	
Councillor Thokozani Msweli	
Councillor Amita Badul	Member of the Executive Committee
Councillor Thami Jabulani Zondo	Member of the Executive Committee
Councillor Monitha Dolly Shandu	Member of the Executive Committee
Councillor Samukelisiwe Gugu Xhakaza	Member
Councillor Nkosinathi Vincent Chili	Member
Councillor Susan Molebong Cele	Member
Councillor Muzi Welcome Sithole	Member
Councillor Musawenkosi Simeon Ntuli	Member
Councillor Faith Govender	Member
Councillor Makhosonke Petros Ntuli	Member
Councillor Rejoice Nontsikelelo Pakkies	Member
Councillor Gideon Njabulo Mbonambi	Member
Councillor Octovia Lindile Nhaca	Member
Councillor Nomonde Gloria Mthethwa	Member
Councillor Moosa Suleman Cassim Motala	Member
Councillor Colin Randles Marsh	Member
Councillor Leonard Mandla Ndlovu	Member
Councillor Fuzile Pearl Nkosi	Member
Councillor Zandile Sandy Thoolsi	Member
Councillor Cebisile Pridence Ngidi	Member
Councillor Nomthandazo S. Kunene	Member
Councillor Lindelani Mbulelo Zondi	Member
Councillor Thokozani Sengiphiwe	Member
Councillor Elphas Lindelihle Dube	Member
Councillor Catherine Tholakele Kumalo	Member
Councillor Lindelihle Rodger Mdletshe	Member
Councillor Langelihle Roney Mbonambi	Member
Councillor Ncamisile Jerich Nkwanyana	Resigned 23 August 2012
Councillor Sandeep Oudhram	Resigned 03 August 2012

Municipal Manager

Mike Newton - Resigned 01 March 2012 - Appointed
as acting Municipal Manager on 01 March 2012

Chief Financial Officer

Nosipho Mba - Appointed on 01 December 2011.

Grading of Local Authority

Four

Auditors

Auditor General

Bankers

First National Bank

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information (continued)

Physical address:	59/61 ILEMBE HOUSE MAHATMA GANDHI STREET KWADUKUZA 4450
Postal address:	P.O Box 1788 KWADUKUZA 4450
Telephone number:	032 437 9300
Fax number:	032 437 9584
E-mail address:	admin@ilembe.gov.za

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 58, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager (Acting): Mike Newton

DATE: 2012/09/30

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
ASSETS					
Cash and cash equivalents	2	8,769,577	6,826,838	12,447,974	8,930,778
Trade and other receivables from exchange transactions	3	45,521,903	45,521,903	43,332,044	43,332,044
Other receivables	4	6,834,124	9,233,349	8,633,992	9,388,299
Inventories	6	5,027,831	5,027,831	6,140,523	6,140,523
Investments	7	23,276,449	23,276,449	75,858,530	53,691,293
Non-current assets					
Non-current receivables	8	-	-	287,168	287,168
Investments	9	18,682,344	18,682,344	17,245,057	17,245,057
Other non-current financial assets	5	-	100	-	100
Property, plant and equipment	10	929,511,286	900,272,043	725,721,391	709,559,363
Intangible assets	11	1,940,205	1,921,828	589,597	589,597
Total assets		1,039,563,719	1,010,762,685	890,256,276	849,164,222
LIABILITIES					
Current liabilities					
Trade and other payables from exchange transactions	12	65,374,990	64,818,735	78,430,401	74,253,648
Consumer deposits	13	3,037,391	3,037,391	2,784,512	2,784,512
VAT payable	14	4,298,443	6,163,477	6,990,348	8,653,366
Current portion of unspent conditional grants and receipts	15	33,473,266	27,842,295	52,030,191	28,947,925
Current portion of borrowings	16	2,533,252	2,533,252	2,106,820	2,106,820
Current portion of finance lease liability	17	4,703,359	4,703,359	4,117,928	4,117,928
Non-current liabilities					
Non-current borrowings	16	92,307,570	92,307,570	95,108,777	95,108,777
Non-current finance lease liability	17	6,414,854	6,414,854	10,515,387	10,515,387
Retirement benefit obligation	38	3,430,259	3,430,259	3,200,623	3,200,623
Total liabilities		215,573,383	211,251,192	255,284,987	229,688,986
Net assets		823,990,337	799,511,494	634,971,289	619,475,236
NET ASSETS					
Accumulated surplus / (deficit)		823,990,337	799,511,494	634,971,289	619,475,236
Total net assets		823,990,337	799,511,494	634,971,289	619,475,236

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2012					
	Note	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
Service charges	18	95,732,711	95,732,711	92,197,370	92,197,370
Rental of facilities and equipment	19	108,413	108,413	97,702	97,702
Interest earned - external investments	20	7,402,288	6,527,455	6,876,417	5,598,682
Interest earned - outstanding receivables	21	20,848,410	20,848,410	18,485,605	18,485,605
Government grants and subsidies	22	455,938,044	433,676,921	343,888,443	350,678,045
Other income	23	7,458,771	5,527,365	7,783,163	7,742,830
Total revenue		587,488,637	562,421,275	469,328,700	474,800,233
Expenses					
Employee related costs	24	97,161,727	91,098,375	82,947,288	81,374,612
Remuneration of councillors	25	5,431,497	5,431,497	5,346,785	5,346,785
Directors' attendance fees	25	523,072	-	418,240	-
Bad debts	3, 8	43,601,446	43,601,446	47,376,895	47,376,895
Collection costs		-	-	-	-
Depreciation and amortisation expense	26	24,067,788	23,100,313	19,626,398	19,543,637
Repairs and maintenance		20,400,086	20,294,089	14,459,273	14,356,568
Finance costs	27	10,983,831	10,983,831	12,363,098	12,363,098
Bulk purchases	28	51,715,106	51,715,106	44,870,810	44,870,810
Contracted services	29	10,710,440	10,710,440	8,147,211	8,147,211
Grant Expenses	30	48,811,336	35,323,432	34,482,576	58,153,324
General expenses	31	82,673,893	87,416,736	79,798,067	75,011,594
Total expenses		396,080,221	379,675,264	349,836,641	366,544,533
Gain / (loss) on sale of assets		(93,091)	-	-	-
Surplus / (deficit) for the period		191,315,325	182,746,011	119,492,059	108,255,700

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

		Group Accumulated Surplus and Total	IDM Accumulated Surplus and Total
	Note	R	R
Balance at 30 June 2010		496,220,209	496,220,209
Restated surplus for the year		6,631,351	
Prior year adjustments		(242,648)	(1,153,122)
Increase in investment in municipal entity		-	99
Adjustments VAT		(306,153)	(306,153)
Restated balance		502,302,759	494,761,033
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-
Prior Year adjustments		(3,499,223)	-
Other items		-	-
Net gains and losses not recognised in the statement of financial performance		-	-
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the period		119,492,059	108,255,700
Balance at 30 June 2011		618,295,595	603,016,733
Correction of prior period error	32	16,675,694	16,458,503
Restated balance		634,971,289	619,475,236
Net gains and losses not recognised in the statement of financial performance		-	-
Transfers to / from accumulated surplus/(deficit)		(2,296,277)	(2,709,753)
Surplus / (deficit) for the period		191,315,325	182,746,011
Balance at 30 June 2012		823,990,337	799,511,494

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
CASH FLOW STATEMENT
as at 30 June 2012

	Note	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
Receipts		539,962,939	515,352,008	421,541,801	427,970,973
Sales of goods and services		84,024,895	81,675,087	77,653,357	77,292,927
Grants		455,938,044	433,676,921	343,888,444	350,678,046
Payments		(359,270,372)	(324,197,460)	(276,801,861)	(310,861,312)
Employee costs		103,224,397	96,529,872	85,957,182	83,382,785
Suppliers		256,045,975	227,667,588	190,844,679	227,478,527
Cash generated from operations	33	180,692,567	191,154,548	144,739,940	117,109,661
Interest received		7,402,288	6,527,455	6,876,417	5,598,682
Interest paid		(10,983,831)	(10,983,831)	(12,363,098)	(12,363,098)
Net cash flows from operating activities		177,111,024	186,698,171	139,253,259	110,345,245
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets (PPE)		(227,523,439)	(213,384,464)	(140,437,764)	(120,240,655)
Proceeds from sale of fixed assets		(1,437,287)	(1,437,287)	(1,433,360)	(1,433,360)
Proceeds from sale of investments		(1,664,121)	(1,648,550)	(196,653)	(196,653)
Purchase of intangibles		287,168	287,168	9,729	9,729
Decrease/(Increase) in Loans and receivables					
Net cash flows from investing activities		(230,337,679)	(216,183,133)	(142,058,048)	(121,860,939)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans raised - leases		679,507	679,507	2,839,162	2,839,162
Repayment of borrowings		(2,374,776)	(2,374,776)	(2,403,029)	(2,403,029)
Repayment of finance lease liability		(1,591,433)	(1,591,433)	(1,796,445)	(1,796,445)
Increase in consumer deposits		252,879	252,879	281,525	281,525
Net cash flows from financing activities		(3,033,823)	(3,033,823)	(1,078,787)	(1,078,787)
Net increase / (decrease) in net cash and cash equivalents		(56,260,478)	(32,518,785)	(3,883,576)	(12,594,481)
Net cash and cash equivalents at beginning of period		88,306,504	62,622,071	92,190,080	75,216,552
Net cash and cash equivalents at end of period	34	32,046,026	30,103,286	88,306,504	62,622,071

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and principles of GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 25 Employee Benefits - issued November 2009
GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010
GRAP 107 Mergers - issued November 2010

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 Impairment of Non-cash-generating Assets - effective 01 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - effective 01 April 2012
GRAP 24 Presentation of Budget Information in the Financial Statements - effective 01 April 2012
GRAP 26 Impairment of Cash-generating Assets - effective 01 April 2012
GRAP 103 Heritage Assets - effective 01 April 2012
GRAP 104 Financial Instruments - effective 01 April 2012

Nature of impending changes in accounting policy:

GRAP 21 - Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

GRAP 23 - Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipal entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow.

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

GRAP 24 - The municipal entity is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts is required to be presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipal entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipal entity prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

GRAP 26 - Cash-generating assets are those assets held by the municipal entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipal entity should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipal entity should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

GRAP 103 - Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless it is acquired through a non-exchange transaction, in which case it is recognised at its fair value as at the date of acquisition.

The municipal entity has a choice between the cost and revaluation model as accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at its cost or revalued amount less accumulated impairment. These assets are not depreciated.

GRAP 104 - The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

Impact on the municipal entity's financial statements once these standards of GRAP are implemented:

GRAP 21 - No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 23 - GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will only be recognised if restrictions exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those restrictions, while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

GRAP 24 - Although the municipal entity currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

GRAP 26 - No material impact is expected. The requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 103 - The municipal entity does not own significant heritage assets and the standard is therefore not expected to have a significant impact on assets.

GRAP 104 - The categorisation of financial instruments will be simplified. Certain financial instruments may be reclassified from the IAS 39 categories and measured at amortised cost rather than fair value or vice versa.

No material impact is expected on the measurement of financial instruments as the measurement basis of the municipal entity's financial instruments is expected to remain unchanged (ie, at amortised cost and at fair value).

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2, been applied.

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20
		Buildings	5 - 30

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites 2 - 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 BIOLOGICAL ASSETS

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

5 HERITAGE ASSETS

5.1 INITIAL RECOGNITION

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost or fair value of the asset can be measured reliably.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

5.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

5.3 DEPRECIATION

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 19 for further information on impairment of assets.

5.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

6.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

7 INVESTMENT PROPERTY

7.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

7.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

8 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

9 FINANCIAL INSTRUMENTS

9.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

9.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified - refer to note 19 for further information on impairment of assets. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

9.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

9.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

10 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

11 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

12 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

13 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

15 LEASES

15.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

15.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

16 REVENUE

16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.

Service charges from sewerage and sanitation are based on the value of the property with sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

16.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

17 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

18 EMPLOYEES BENEFITS

18.1 SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

18.2 POST-EMPLOYMENT BENEFITS

18.2.1

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

18.2.2

DEFINED BENEFITS PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

18.2.3 OTHER LONG - TERM BENEFITS PLANS

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

18.2.4 TERMINATION BENEFITS

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

19 VALUE ADDED TAX (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

20 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
2 CASH AND CASH EQUIVALENTS				
Petty cash and cash on hand	26,000	24,000	11,000	9,000
Bank statement balance	8,743,577	6,802,838	12,436,974	8,921,778
	<u>8,769,577</u>	<u>6,826,838</u>	<u>12,447,974</u>	<u>8,930,778</u>
The Municipality has the following bank accounts:-				
<u>Water Bank Account</u>				
ABSA Bank Account - Durban Branch				
Account Number 4057878321 - Current Account				
Cash book balance at beginning of year	3,925,170	3,925,170	2,490,799	2,490,799
Cash book balance at end of year	<u>3,978,437</u>	<u>3,978,437</u>	<u>3,925,170</u>	<u>3,925,170</u>
Bank statement balance at beginning of year	2,676,600	2,676,600	673,640	673,640
Bank statement balance at end of year	<u>1,798,326</u>	<u>1,798,326</u>	<u>2,676,600</u>	<u>2,676,600</u>
<u>Salaries Bank Account</u>				
First National Bank - Durban Branch				
Account Number 62006302385 - Current Account				
Cash book balance at beginning of year	(2,158,063)	(2,158,063)	2,037,599	2,037,599
Cash book balance at end of year	<u>(2,686,071)</u>	<u>(2,686,071)</u>	<u>(2,158,063)</u>	<u>(2,158,063)</u>
Bank statement balance at beginning of year	130,193	130,193	177,691	177,691
Bank statement balance at end of year	<u>73,125</u>	<u>73,125</u>	<u>130,193</u>	<u>130,193</u>
<u>Main Bank Account</u>				
First National Bank Account - Durban Branch				
Account Number 62006302385 - Current Account				
Cash book balance at beginning of year	511,426	511,426	11,032,627	11,032,627
Cash book balance at end of year	<u>4,909,914</u>	<u>4,909,914</u>	<u>511,426</u>	<u>511,426</u>
Bank statement balance at beginning of year	3,692,514	3,692,514	17,874,943	17,874,943
Bank statement balance at end of year	<u>4,909,914</u>	<u>4,909,914</u>	<u>3,692,514</u>	<u>3,692,514</u>
<u>Projects Bank Account</u>				
First National Bank - Durban Branch				
Account Number 62046718641 - Current Account				
Cash book balance at beginning of year	(6,956,788)	(6,956,788)	(8,602,121)	(8,602,121)
Cash book balance at end of year	<u>21,473</u>	<u>21,473</u>	<u>(6,956,788)</u>	<u>(6,956,788)</u>
Bank statement balance at beginning of year	2,422,471	2,422,471	3,834,944	3,834,944
Bank statement balance at end of year	<u>21,473</u>	<u>21,473</u>	<u>2,422,471</u>	<u>2,422,471</u>
<u>Levies Bank Account</u>				
ABSA Bank Account - Durban Branch -				
Account Number 4057641326 - Current Account				
Cash book balance at beginning of year	-	-	78,922	78,922
Cash book balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	-	78,922	78,922
Bank statement balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Enterprise Ilembe Main Bank Account</u>				
ABSA Bank Account - Business Centre KwaZulu Natal				
Account Number 4060362852 - Current Account				
Cash book balance at beginning of year	3,515,196	-	2,199,284	-
Cash book balance at end of year	<u>1,776,337</u>	<u>-</u>	<u>3,515,196</u>	<u>-</u>
Bank statement balance at beginning of year	3,515,196	-	2,199,284	-
Bank statement balance at end of year	<u>1,776,337</u>	<u>-</u>	<u>3,515,196</u>	<u>-</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
Enterprise Ilembe Produce Bank Account				
<i>ABSA - Public Sector KwaZulu Natal Account Number 4078679825 - Current Account</i>				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	17,969	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	17,969	-	-	-
Enterprise Ilembe Rocabex - Trust Bank Account				
<i>First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account</i>				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	145,829	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	145,829	-	-	-
Enterprise Ilembe Rocablox - Trust Bank Account				
<i>First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account</i>				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	302	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	302	-	-	-
Enterprise Ilembe Rocabix - Trust Bank Account				
<i>First National Bank Account - Kloof Branch Account Number 62347813471 - Current Account</i>				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	302	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	302	-	-	-
Petty cash and cash on hand	26,000	24,000	11,000	9,000
Cash book balance at year end	8,164,492	6,223,753	(1,163,059)	(4,678,255)

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables
as at 30 June 2012
Service debtors

Water and Sewerage
Total

RD Cheques
Other Receivables

Total Trade and other receivables

Gross Balances R	Provision for Doubtful Debts R	Net Balance R
174,241,441	128,796,807	45,444,634
174,241,441	128,796,807	45,444,634
77,269	-	77,269
77,269	-	77,269
174,318,710	128,796,807	45,521,903

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
as at 30 June 2011				
Service debtors				
Water and Sewerage		247,536,608	204,204,564	43,332,044
Total		247,536,608	204,204,564	43,332,044
<u>Other receivables</u>		-	-	-
Other receivables		-	-	-
Total Trade and other receivables		247,536,608	204,204,564	43,332,044

Water and Sewerage: Ageing

Current (0 – 30 days)	11,972,334	11,972,334	8,930,515	8,930,515
31 - 60 Days	6,752,005	6,752,005	8,072,298	8,072,298
61 - 90 Days	6,825,801	6,825,801	6,159,908	6,159,908
91 - 120 Days	5,632,385	5,632,385	5,663,505	5,663,505
121 - 365 Days	143,058,916	143,058,916	218,710,382	218,710,382
+ 365 Days	-	-	-	-
Total	174,241,441	174,241,441	247,536,608	247,536,608

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2012			
Current (0 – 30 days)	8,255,500	2,513,196	929,484
31 - 60 Days	5,602,375	669,875	534,849
61 - 90 Days	6,215,743	311,184	361,845
91 - 120 Days	5,109,449	223,732	348,823
121 - 365 Days	130,509,030	5,733,577	2,013,317
+ 365 Days	-	-	-
Sub-total	155,692,096	9,451,564	4,188,319

3 Reconciliation of the doubtful debt provision

Balance at beginning of the year	204,204,553	204,204,553	175,554,921	175,554,921
Contributions to provision	45,176,325	45,176,325	47,376,895	47,376,895
Doubtful debts written off against provision	(120,584,071)	(120,584,071)	(18,727,252)	(18,727,252)
Reversal of provision	-	-	-	-
Balance at end of year	128,796,807	128,796,796	204,204,553	204,204,553

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Umgenti water debtor	530,844	530,844	1,781,785	1,781,785
Accrued interest	34,004	34,004	72,166	72,166
Ilembe Enterprise	74,425	2,500,000	-	842,391
Deposits not reflected on the bank statement	2,180,112	2,180,112	1,248,570	1,248,570
Other debtors	4,014,739	3,988,389	5,531,471	5,443,387
Total Other Debtors	6,834,124	9,233,349	8,633,992	9,388,299

5 OTHER NON-CURRENT FINANCIAL ASSETS

Investments in municipal entity - Enterprise Ilembe	-	100	-	100
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6 INVENTORIES

Opening balance of inventories:	6,140,523	6,140,523	6,232,440	6,232,440
Consumable stores - at Net Replacement Cost	5,861,822	5,861,822	5,991,687	5,991,687
Water	278,701	278,701	240,753	240,753
Additions:	(1,112,693)	(1,112,693)	(91,917)	(91,917)
Consumable stores	(1,112,693)	(1,112,693)	(129,865)	(129,865)
Water	-	-	37,948	37,948
Closing balance of inventories:	5,027,831	5,027,831	6,140,523	6,140,523
Consumable stores	4,749,130	4,749,130	5,861,822	5,861,822
Water	278,701	278,701	278,701	278,701

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
7 INVESTMENTS (MFMA requirement)				
Total	23,276,449	23,276,449	75,858,530	53,691,293
7.1 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 9114541258 : Call Account				
Bank statement balance at the beginning of the year	97 684	97 684	93 886	93 886
Bank statement balance at the end of the year	101 269	101 269	97 684	97 684
7.2 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 9183363524 : Call account				
Bank statement balance at the beginning of the year	3 639 743	3 639 743	7 526 798	7 526 798
Bank statement balance at the end of the year	19 373	19 373	3 639 743	3 639 743
7.3 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 9095950633 : Call Account				
Bank statement balance at the beginning of the year	3 042 741	3 042 741	2 924 429	2 924 429
Bank statement balance at the end of the year	15 929	15 929	3 042 741	3 042 741
7.4 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 2066739798 : Call account				
Bank statement balance at the beginning of the year	838 308	838 308	790 451	790 451
Bank statement balance at the end of the year	883 597	883 597	838 308	838 308
7.5 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 2070362723 : Call Account				
Bank statement balance at the beginning of the year	-	-	1 000 000	1 000 000
Bank statement balance at the end of the year	-	-	-	-
7.6 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 2070224909 : Call Account				
Bank statement balance at the beginning of the year	232 516	232 516	210 472	210 472
Bank statement balance at the end of the year	244 771	244 771	232 516	232 516
7.7 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 9216957611 : Call Account				
Bank statement balance at the beginning of the year	1 481 204	1 481 204	860 754	860 754
Bank statement balance at the end of the year	1 548 667	1 548 667	1 481 204	1 481 204
7.8 Investment Current Account				
First National Bank Account - Durban Branch Account Number 62129309937 : Call Account				
Bank statement balance at the beginning of the year	1 080 268	1 080 268	1 019 583	1 019 583
Bank statement balance at the end of the year	1 149	1 149	1 080 268	1 080 268
7.9 Investment Current Account				
ABSA Bank Account - Durban Branch Account Number 2070508898 : Call Account				
Bank statement balance at the beginning of the year	5 279 985	5 279 985	-	-
Bank statement balance at the end of the year	-	-	5 279 985	5 279 985

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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for the year ended 30 June 2012

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
7.10 Investment Current Account <i>First National Bank Account - Durban Branch</i> <i>Account Number 74091301628 : Call Account</i>				
Bank statement balance at the beginning of the year	255 331	255 331	241 994	241 994
Bank statement balance at the end of the year	<u>270 037</u>	<u>270 037</u>	<u>255 331</u>	<u>255 331</u>
7.11 Investment Current Account <i>First National Bank Account - Durban Branch</i> <i>Account Number 74104346206 : Call Account</i>				
Bank statement balance at the beginning of the year	391 994	391 994	369 892	369 892
Bank statement balance at the end of the year	<u>413 361</u>	<u>413 361</u>	<u>391 995</u>	<u>391 995</u>
7.12 Investment Current Account <i>First National Bank Account - Durban Branch</i> <i>Account Number 61085067093 : Call Account</i>				
Bank statement balance at the beginning of the year	336 824	336 824	1 831 173	1 831 173
Bank statement balance at the end of the year	<u>4 462</u>	<u>4 462</u>	<u>336 824</u>	<u>336 824</u>
7.13 Investment Current Account <i>First National Bank</i> <i>Account Number 623313562309 : Call Account</i>				
Bank statement balance at the beginning of the year	4 782 100	4 782 100	-	-
Bank statement balance at the end of the year	<u>1 028</u>	<u>1 028</u>	<u>4 782 100</u>	<u>4 782 100</u>
7.14 Investment Current Account <i>First National Bank Account - Durban Branch</i> <i>Account Number 74277625264 : Call Account</i>				
Bank statement balance at the beginning of the year	1 170 200	1 170 200	-	-
Bank statement balance at the end of the year	<u>3 065 267</u>	<u>3 065 267</u>	<u>1 170 200</u>	<u>1 170 200</u>
7.15 Investment Current Account <i>First National Bank Account - Durban Branch</i> <i>Account Number 74274097341 : Call Account</i>				
Bank statement balance at the beginning of the year	-	-	-	-
Bank statement balance at the end of the year	<u>608 074</u>	<u>608 074</u>	<u>-</u>	<u>-</u>
7.16 Investment Current Account <i>Standard Bank Account - Durban Branch</i> <i>Account Number 293302 : Call Account</i>				
Bank statement balance at the beginning of the year	1 765 529	1 765 529	19 907 105	19 907 105
Bank statement balance at the end of the year	<u>1 854 253</u>	<u>1 854 253</u>	<u>1 765 529</u>	<u>1 765 529</u>
7.17 Investment Current Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100-435877 : Call Account</i>				
Bank statement balance at the beginning of the year	22 191 247	22 191 247	10 028 493	10 028 493
Bank statement balance at the end of the year	<u>9 702 842</u>	<u>9 702 842</u>	<u>22 191 247</u>	<u>22 191 247</u>
7.18 Investment Current Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 50003100564 : Call Account</i>				
Bank statement balance at the beginning of the year	2 104 724	2 104 724	5 066 893	5 066 893
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>	<u>2 104 724</u>	<u>2 104 724</u>
7.19 Investment Current Account <i>Rand Merchant Bank Account</i> <i>Account Number DC02E000066 : Call Account</i>				
Bank statement balance at the beginning of the year	4 321 412	4 321 412	16 007	16 007
Bank statement balance at the end of the year	<u>4 542 368</u>	<u>4 542 368</u>	<u>4 321 412</u>	<u>4 321 412</u>

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
7.20 Investment Current Account <i>NRB Curatorship</i>				
Bank statement balance at the beginning of the year	679 482	679 482	679 482	679 482
Bank statement balance at the end of the year	-	-	679 482	679 482
7.21 Investment Current Account <i>Investec Bank Account</i> <i>Account Number 50004108608 : Call Account</i>				
Bank statement balance at the beginning of the year	22 167 237	-	14 772 244	-
Bank statement balance at the end of the year	-	-	22 167 237	-
8 NON-CURRENT RECEIVABLES				
Staff loans	287,168	287,168	287,168	287,168
Less: Provision for bad debts	-287168	(287,168)	-	-
Total	-	-	287,168	287,168
STAFF LOANS Loans were granted to individuals as part of a bursary scheme in previous financial years.				
9 INVESTMENTS				
<u>Financial Instruments</u>				
ABSA zero coupon investment	18,682,344	18,682,344	17,245,057	17,245,057
	18,682,344	18,682,344	17,245,057	17,245,057

This investment has been ceded as security against the long term loan from ABSA disclosed in Note 16

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Agriculture PPE	Biological Assets	Infrastructure Water & Sewer	Assets Under Construction	Heritage	Other Assets	Finance lease assets	Total	IDM Total
	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2011	3,242,908	14,635,671	9,511,083	-	607,381,069	65,919,877	205,578	10,721,340	14,103,866	725,721,391	709,559,363
Cost/Revaluation	1,286,718	18,214,611	9,874,779	-	660,292,087	65,919,877	205,578	17,941,821	21,806,404	785,551,874	778,916,601
Correction of prior year error (note 32)		(722)						41,729	88,773	129,780	130,502
Change in accounting policy (note 32)	1,946,190									1,946,190	1,946,190
Accumulated depreciation and impairment losses	-	(3,578,218)	(363,696)	-	(52,911,018)	-	-	(7,262,210)	(7,781,311)	(71,905,453)	-71,433,900
Acquisitions	-	356,628	4,596,419		54,094,885			4,810,998	679,508	64,538,438	55,793,001
Capital under Construction	-	-	-	1,038,400	-	161,946,601	-	-	-	162,985,001	163,591,464
Depreciation	-	(630,068)	(862,213)		(14,447,484)			(2,699,270)	(4,390,417)	(23,029,452)	-22,066,274
Carrying value of disposals	-	-	-	-	-	-	-	(93,091)	-	(93,091)	-
Cost/Revaluation	-	-	-	-	-	-	-	(135,114)	-	(135,114)	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	42,023	-	42,023	0
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	(508,444)	-	(508,444)	-508,444
Transfers	-	22,595	-	-	-	-	-	(32,684)	-	(10,089)	0
Other movements	-	-	-	-	-	-	-	-	-	-	0
as at 30 June 2012	3,242,908	14,384,826	13,245,289	1,038,400	647,028,470	227,866,478	205,578	12,203,448	10,295,890	929,511,286	900,272,043
Cost/Revaluation	3,242,908	18,593,834	14,471,198	1,038,400	714,396,972	227,866,478	205,578	22,617,705	22,388,544	1,024,811,917	994,150,188
Accumulated depreciation and impairment losses	-	(4,209,008)	(1,225,909)	-	(67,368,502)	-	-	(10,414,257)	(12,092,655)	(95,300,631)	-93,878,146

Refer to Appendix B for more detail on property, plant and equipment

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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for the year ended 30 June 2011

10.2 Reconciliation of Carrying Value

	Land	Buildings	Agriculture PPE	Biological Assets	Infrastructure Water & Sewer	Assets Under Construction	Heritage	Other Assets	Finance lease assets	Group Total	IDM Total
	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2010	1,296,718	14,960,742	3,207,332		522,721,075	43,587,294	205,578	11,249,338	14,966,782	615,735,569	608,553,446
Cost/Revaluation	1,296,718	17,927,475			562,920,987	50,330,336	205,578	16,180,248	15,967,242	667,833,584	660,625,353
Correction of prior year error (note 32)						(6,768,042)					
Change in accounting policy (note 32)			3,207,332								
Accumulated depreciation and impairment losses	-	(2,666,733)			(40,199,912)	-	-	(4,930,910)	(4,000,460)	(52,098,014)	(62,071,947)
Acquisitions	-	287,136	6,667,447		97,371,100	24,302,030	-	1,761,573	2,838,162	133,228,448	120,240,655
Capital under Construction	-	-			-	(1,949,447)	-	-	-	(1,949,447)	-
Depreciation	-	(611,485)	(350,467)		(12,711,106)		-	(2,331,300)	(3,790,851)	(19,795,209)	-19,361,983
Carrying value of disposals	-	-			-	-	-	-	-	-	-
Cost/Revaluation	-	-	-		-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-		-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-		-	-	-	-	-	-	-
Transfers	-	-	-		-	-	-	-	-	-	-
*Other movements	-	-	-		-	-	-	-	-	-	-1,949,447
as at 30 June 2011	1,296,718	14,636,393	9,511,083		607,351,069	65,919,877	205,578	10,679,611	14,015,093	723,645,421	707,482,672
Cost/Revaluation	1,296,718	18,214,611	9,874,779		660,292,087	65,919,877	205,578	17,941,821	21,806,404	795,551,874	778,916,602
Accumulated depreciation and impairment losses	-	(3,578,218)	(363,696)		(52,911,018)	-	-	(7,262,210)	(7,791,311)	(71,906,453)	(71,433,930)

Refer to Appendix B for more detail on property, plant and equipment

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

11 INTANGIBLE ASSETS

11.1 Reconciliation of carrying value

	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
as at 1 July 2011	589,597	589,597	574,598	574,598
Cost	2,140,442	2,140,442	1,943,789	1,943,789
Accumulated amortisation and impairment losses	(1,550,845)	(1,550,845)	(1,369,191)	(1,369,191)
Acquisitions	1,864,121	1,648,550	196,653	196,653
Amortisation	(320,615)	(316,318)	(181,654)	(181,654)
Carrying value of disposals	-	-	-	-
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	10,089	-	-	-
Other movements	(2,986)	-	-	-
as at 30 June 2012	1,940,205	1,821,828	589,597	589,597
Cost	3,814,652	3,788,992	2,140,442	2,140,442
Accumulated amortisation and impairment losses	(1,874,446)	(1,867,163)	(1,550,845)	(1,550,845)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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11.2 Reconciliation of carrying value

as at 1 July 2010				
Cost	574,598	574,598	719,350	719,350
Prior year error (note 48)	1,943,789	1,943,789	2,007,134	2,007,134
Directive 4 adjustments (note 47)	-	-	-	-
Accumulated amortisation and impairment losses	(1,369,191)	(1,369,191)	(1,287,784)	(1,287,784)
Acquisitions	196,653	196,653	94,412	94,412
Amortisation	(181,654)	(181,654)	(239,164)	(239,164)
Carrying value of disposals	-	-	-	-
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-
Transfers	-	-	-	-
Other movements	-	-	-	-
as at 30 June 2011	589,597	589,597	574,598	574,598
Cost	2,140,442	2,140,442	1,943,789	1,943,789
Accumulated amortisation and impairment losses	(1,550,845)	(1,550,845)	(1,369,191)	(1,369,191)

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012 R	IDM 2012 R	GROUP 2011 R	IDM 2011 R
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS				
Trade creditors	16,931,039	16,685,029	48,480,749	44,459,454
Kwadukuza - water loans	-	-	375,763	375,763
Payroll third party creditors	2,759,196	2,759,196	-	-
Consumer credit balances	4,909,462	4,909,462	5,673,076	5,673,076
Staff leave accrual	7,000,971	6,757,034	6,463,821	6,308,362
Unpresented cheques	-	-	14,848,604	14,848,603
Enterprise Ilembe	-	74,425	-	-
Other creditors	33,774,322	33,633,589	2,588,388	2,588,390
Total creditors	66,374,990	64,818,735	78,430,401	74,253,648

13 CONSUMER DEPOSITS

Water	3,037,391	3,037,391	2,784,512	2,784,512
Total consumer deposits	3,037,391	3,037,391	2,784,512	2,784,512

14 VAT PAYABLE

VAT payable	4,298,443	6,163,477	6,990,348	8,653,366
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants and Receipts				
Provincial Township Establishment	2,133,850	2,133,850	724,048	724,048
Shared Services (Financial Systems)	338,435	338,435	971,395	971,395
Section 78	200,000	200,000	200,000	200,000
Provincial Management Assistance	3,064	3,064	822,066	822,066
Beach restoration Grant	4,796,072	4,796,072	4,796,072	4,796,072
Ngcebo/Lower Thukela Bulk Water	-	-	1,460,669	1,460,669
Maphumulo Waterworks	1,060,753	1,060,753	1,060,753	1,060,753
Disaster Management - COGTA	1,132,946	1,132,946	2,500,000	2,500,000
Shared Services (DPSS)	-	-	458,661	458,661
IGR Grant	73,800	73,800	417,000	417,000
Environmental Management	1,038,899	1,038,899	1,500,000	1,500,000
Financial Management Grant	-	-	445,315	445,315
Municipal Systems improvement Grant	-	-	62,635	62,635
LG SETA	454,721	454,721	255,602	255,602
Vat Refunds	-	-	4,750,196	4,750,196
2010 World Cup	-	-	459	459
Water Conservation Management	-	-	48,620	48,620
Massification Grant	9,624,989	9,624,989	5,064,434	5,064,434
Ndwedwe Town Development	507,707	507,707	3,410,000	3,410,000
Corridor Funding	2,425,677	2,425,677	-	-
Disaster Management - DBSA	784,235	784,235	-	-
EPWP	349,000	349,000	-	-
Rural Transport Service Grant	1,330,027	1,330,027	-	-
Grants - Other	1,388,120	1,388,120	-	-
Agri Processing	-	-	5,354,927	5,354,927
Disaster Management	55,318	-	55,318	55,318
Broadband Project	-	-	2,369,200	2,369,200
Biodiesel Production Facility	-	-	2,184,800	2,184,800
Siza Water Concession	553,461	-	-	-
North Coast Wine Project	2,772,721	-	8,441,656	8,441,656
Amacambini Development Project	757,666	-	757,666	757,666
Integrated Craft Hub	231,252	-	321,664	321,664
Maphumulo Small Town Rehabilitation	85,965	-	85,965	85,965
Nonotli Beach Resort	49,123	-	49,123	49,123
Moringa Tree Plantations	12,514	-	3,461,947	3,461,947
Fresh Produce Market	278,049	-	-	-
RIDS Grant	200,000	-	-	-
IDC Projects Grant	634,902	-	-	-
Total Unspent Conditional Grants and Receipts	33,473,266	27,842,295	52,030,191	28,947,925
Non-current unspent conditional grants and receipts	-	-	-	-
Current portion of unspent conditional grants and receipts	33,473,266	27,842,295	52,030,191	28,947,925

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
16 BORROWINGS				
Development Bank of South Africa	64,840,821	64,840,821	67,215,597	67,215,597
ABSA	30,000,000	30,000,000	30,000,000	30,000,000
	<u>94,840,821</u>	<u>94,840,821</u>	<u>97,215,597</u>	<u>97,215,597</u>
Less : Current portion transferred to current liabilities	2,533,251	2,533,251	2,106,820	2,106,820
Development Bank of South Africa	<u>2,533,251</u>	<u>2,533,251</u>	<u>2,106,820</u>	<u>2,106,820</u>
	-	-	-	-
Total borrowings	<u>92,307,570</u>	<u>92,307,570</u>	<u>95,108,777</u>	<u>95,108,777</u>

Development Bank of South Africa

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

ABSA Loan

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

17 FINANCE LEASE LIABILITY

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	5,789,681	1,086,322	4,703,359
Within two to five years	<u>7,055,123</u>	<u>640,269</u>	<u>6,414,854</u>
	<u>12,844,804</u>	<u>1,726,591</u>	<u>11,118,213</u>
Less: Amount due for settlement within 12 months (current portion)			<u>4,703,359</u>
			<u>6,414,854</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	1,511,864	1,511,864	4,117,928
Within two to five years	<u>1,726,591</u>	<u>1,726,591</u>	<u>10,515,387</u>
	<u>3,238,455</u>	<u>3,238,455</u>	<u>14,633,315</u>
Less: Amount due for settlement within 12 months (current portion)			<u>4,117,928</u>
			<u>10,515,387</u>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
18 SERVICE CHARGES				
Sale of water	86,148,393	86,148,393	81,346,577	81,346,577
Sewerage and sanitation charges	16,180,913	16,180,913	16,028,637	16,028,637
Revenue Forgone	(6,596,595)	(6,596,595)	(5,177,844)	(5,177,844)
Total Service Charges	95,732,711	95,732,711	92,197,370	92,197,370
19 RENTAL OF FACILITIES AND EQUIPMENT				
Ilembé Auditorium	26,053	26,053	20,000	20,000
Rental of facilities	82,361	82,361	77,702	77,702
Total rentals	108,413	108,413	97,702	97,702
20 INTEREST EARNED - EXTERNAL INVESTMENTS				
Bank	7,402,288	6,527,455	6,876,417	5,598,682
Total interest	7,402,288	6,527,455	6,876,417	5,598,682
21 INTEREST EARNED - OUTSTANDING RECEIVABLES				
Interest on debtors	20,848,410	20,848,410	18,485,605	18,485,605
Total interest	20,848,410	20,848,410	18,485,605	18,485,605
22 GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	206,613,000	206,613,000	178,693,910	178,693,910
MG Grant	133,801,066	133,801,066	80,797,965	80,797,965
VAT REFUNDS	19,260,846	19,260,846	7,328,992	7,328,992
WATER CONSERVATION AND DEMAND MNGT	1,955,784	1,955,784	1,444,055	1,444,055
SECTION 78 GRANT	-	-	-	-
REHABILITATION OF INFRASTRUCTURE	-	-	2,792,535	2,792,535
MAPHUMULO WATERWORKS GRANT	-	-	96,047	96,047
REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)	5,943,900	5,943,900	98,218	98,218
MASSIFICATION GRANT	12,744,445	12,744,445	166,566	166,566
NGCEBO/LOWER THUKELA BULK WATER SCHEME	38,537,869	38,537,869	21,592,151	21,592,151
RURAL TRANSPORT SERVICE	357,973	357,973	-	-
DISASTER MANAGEMENT GRANT (COGTA)	1,367,054	1,367,054	-	-
DISASTER MANAGEMENT GRANT (DBSA)	1,182,564	1,182,564	-	-
BEACH RESTORATION GRANT	-	-	2,951,935	2,951,935
PROVINCIAL MANAGEMENT ASSISTANCE GRANT	819,002	819,002	-	-
SHARED SERVICES GRANT (FINANCIAL SYSTEMS)	632,960	632,960	-	-
SHARED SERVICES GRANT (DPSS)	2,069,837	2,069,837	2,743,464	2,743,464
PROVINCIAL TOWNSHIP ESTABLISHMENT	342,279	342,279	75,952	75,952
DESLUDGING	-	-	-	-
CORRIDOR - NONOTI BEACH RESORT	877,193	1,000,000	350,877	400,000
CORRIDOR - NORTH URBAN DEVELOPMENT PLAN PHASE 2	74,323	74,323	-	-
CORRIDOR DEVELOPMENT	-	-	4,000,000	33,916,000
FRESH PRODUCE MARKET IN STANGER	133,290	500,000	-	-
MAPHUMULO SMALL TOWN ESTABLISHMENT	-	-	614,035	700,000
FMG	1,695,315	1,695,315	565,204	565,204
MSIG	852,635	852,635	794,315	794,315
EPWP	-	-	-	-
LGSETA	287,075	287,075	275,901	275,901
IGR GRANT	343,200	343,200	-	-
ENVIRONMENTAL MANAGEMENT FRAMEWORK	404,474	404,474	-	-
2010 WORLD CUP	-	-	3,508,369	3,508,369
NDWEDWE TOWN DEVELOPMENT	2,902,293	2,902,293	-	-
DROUGHT RELIEF GRANT	-	-	51,194	51,194
WATER GRANTS MANDENI	-	-	-	-
REPLACEMENT OF WATER MAINS IN KWADUKUZA	-	-	11,685,272	11,685,272
SANITATION - VIP TOILETS	-	-	-	-
SALARIES - IDC GRANT	2,810,000	-	2,120,259	-
AGRICULTURAL HUB IDC GRANT	-	-	622,079	-
INDUSTRIAL DEVELOPMENT STRATEGY IDC GRANT	-	-	186,624	-
BROADBAND PROJECT IDC GRANT	-	-	186,623	-
NORTH COAST WINE PROJECT IDC GRANT	-	-	182,477	-
AGRI PROCESSING GRANT	5,354,927	-	9,663,286	-
DISASTER MANAGEMENT GRANT	-	-	237,614	-
BROADBAND PROJECT GRANT	2,222,058	-	3,092,696	-
BIODIESEL PRODUCTION FACILITY GRANT	2,184,800	-	3,299,980	-
NORTH COAST WINE PROJECT GRANT	5,159,405	-	3,229,793	-
AMACAMBINI DEV PROJECT GRANT	-	-	198,255	-
INTEGRATED CRAFT HUB GRANT	87,056	-	5,484	-
MORINGA TREE PLANTATION	3,026,069	-	38,053	-
PROJECTS EX IDC	1,895,350	-	-	-
TOURISM	-	-	-	-
Siza Water Concession Monitoring	-	-	-	-
LED	-	-	-	-
OPERATIONAL GRANT EX IDM	-	-	198,263	-
RIDS GRANT MARKETING	-	-	-	-
Total Government Grant and Subsidies	455,938,044	433,676,921	343,888,443	350,678,045

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
22.1 Equitable Share				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	206,613,000	206,613,000	178,693,910	178,693,910
Conditions met - transferred to revenue	(206,613,000)	(206,613,000)	(178,693,910)	(178,693,910)
Conditions met	-	-	-	-
22.2 MIG Grant				
Balance unspent at beginning of year	-	-	(1,530,422)	(1,530,422)
Current year receipts	133,801,066	133,801,066	91,790,000	91,790,000
Conditions met - transferred to revenue	(133,801,066)	(133,801,066)	(80,797,965)	(80,797,965)
Adjustments and Transfers	-	-	(9,461,613)	(9,461,613)
Conditions met	-	-	-	-
22.3 VAT REFUNDS				
Balance unspent at beginning of year	4,750,196	4,750,196	0	-
Current year receipts	22,227,221	22,227,221	0	-
Conditions met - transferred to revenue	(19,260,846)	(19,260,846)	(7,328,992)	(7,328,992)
Adjustments and Transfers	(7,716,571)	(7,716,571)	12,079,188	12,079,188
Conditions still to be met - remain liabilities (see note 15)	-	-	4,750,196	4,750,196
22.4 WATER CONSERVATION AND DEMAND MNGT				
Balance unspent at beginning of year	48,620	48,620	-	-
Current year receipts	3,295,284	3,295,284	1,492,675	1,492,675
Conditions met - transferred to revenue	(1,955,784)	(1,955,784)	(1,444,055)	(1,444,055)
Conditions still to be met - remain liabilities (see note 15)	1,388,120	1,388,120	48,620	48,620
22.5 SECTION 78 GRANT				
Balance unspent at beginning of year	200,000	200,000	200,000	200,000
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	200,000	200,000	200,000	200,000
22.6 REHABILITATION OF INFRASTRUCTURE				
Balance unspent at beginning of year	-	-	2,792,535	2,792,535
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(2,792,535)	(2,792,535)
Conditions met	-	-	-	-
22.7 MAPHUMULO WATERWORKS GRANT				
Balance unspent at beginning of year	1,060,753	1,060,753	1,156,800	1,156,800
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(96,047)	(96,047)
Conditions still to be met - remain liabilities (see note 15)	1,060,753	1,060,753	1,060,753	1,060,753
22.8 REFURBISHMENT OF WASTE WATER WORKS (DWA ACIP)				
Balance unspent at beginning of year	-	-	221,336	221,336
Current year receipts	5,943,900	5,943,900	-	-
Conditions met - transferred to revenue	(5,943,900)	(5,943,900)	(98,218)	(98,218)
Adjustments and Transfers	-	-	(123,118)	(123,118)
Conditions met	-	-	-	-
22.9 MASSIFICATION GRANT				
Balance unspent at beginning of year	5,064,434	5,064,434	-	-
Current year receipts	17,505,000	17,505,000	5,231,000	5,231,000
Conditions met - transferred to revenue	(12,744,445)	(12,744,445)	(166,566)	(166,566)
Conditions still to be met - remain liabilities (see note 15)	9,824,989	9,824,989	5,064,434	5,064,434
22.10 NGCEBO/LOWER THUKELA BULK WATER SCHEME				
Balance unspent at beginning of year	1,460,669	1,460,669	4,468,220	4,468,220
Current year receipts	37,077,200	37,077,200	18,584,600	18,584,600
Conditions met - transferred to revenue	(38,537,869)	(38,537,869)	(21,592,151)	(21,592,151)
Conditions still to be met - remain liabilities (see note 15)	-	-	1,460,669	1,460,669
22.11 RURAL TRANSPORT SERVICE				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,688,000	1,688,000	-	-
Conditions met - transferred to revenue	(357,973)	(357,973)	-	-
Conditions still to be met - remain liabilities (see note 15)	1,330,027	1,330,027	-	-

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
22.12 DISASTER MANAGEMENT GRANT (COGTA)				
Balance unspent at beginning of year	2,500,000	2,500,000	-	-
Current year receipts	-	-	2,500,000	2,500,000
Conditions met - transferred to revenue	(1,367,054)	(1,367,054)	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>1,132,946</u>	<u>1,132,946</u>	<u>2,500,000</u>	<u>2,500,000</u>
22.13 DISASTER MANAGEMENT GRANT (DBSA)				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1,966,800	1,966,800	-	-
Conditions met - transferred to revenue	(1,182,564)	(1,182,564)	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>784,236</u>	<u>784,236</u>	<u>-</u>	<u>-</u>
22.14 BEACH RESTORATION GRANT				
Balance unspent at beginning of year	4,796,072	4,796,072	7,748,007	7,748,007
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(2,951,935)	(2,951,935)
Conditions still to be met - remain liabilities (see note 15)	<u>4,796,072</u>	<u>4,796,072</u>	<u>4,796,072</u>	<u>4,796,072</u>
22.15 PROVINCIAL MANAGEMENT ASSISTANCE GRANT				
Balance unspent at beginning of year	822,066	822,066	1,376,774	1,376,774
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	(819,002)	(819,002)	-	-
Adjustments and Transfers	-	-	(554,708)	(554,708)
Conditions still to be met - remain liabilities (see note 15)	<u>3,064</u>	<u>3,064</u>	<u>822,066</u>	<u>822,066</u>
22.16 SHARED SERVICES GRANT (FINANCIAL SYSTEMS)				
Balance unspent at beginning of year	971,395	971,395	416,687	416,687
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	(632,960)	(632,960)	-	-
Adjustments and Transfers	-	-	554,708	554,708
Conditions still to be met - remain liabilities (see note 15)	<u>338,435</u>	<u>338,435</u>	<u>971,395</u>	<u>971,395</u>
22.17 SHARED SERVICES GRANT (DPSS)				
Balance unspent at beginning of year	458,661	458,661	2,201,817	2,201,817
Current year receipts	1,611,176	1,611,176	1,000,308	1,000,308
Conditions met - transferred to revenue	(2,069,837)	(2,069,837)	(2,743,464)	(2,743,464)
Conditions still to be met - remain liabilities (see note 15)	<u>-</u>	<u>-</u>	<u>458,661</u>	<u>458,661</u>
22.18 PROVINCIAL TOWNSHIP ESTABLISHMENT				
Balance unspent at beginning of year	724,048	724,048	-	-
Current year receipts	1,800,000	1,800,000	800,000	800,000
Conditions met - transferred to revenue	(342,279)	(342,279)	(75,952)	(75,952)
Adjustments and Transfers	(47,919)	(47,919)	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>2,133,850</u>	<u>2,133,850</u>	<u>724,048</u>	<u>724,048</u>
22.19 DESLUDGING				
Balance unspent at beginning of year	-	-	1,350,877	1,350,877
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(1,350,877)	(1,350,877)
Conditions met	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
22.20 CORRIDOR - NONOTI BEACH RESORT				
Balance unspent at beginning of year	49,123	-	-	-
Current year receipts	1,000,000	1,000,000	400,000	400,000
Conditions met - transferred to revenue	(877,193)	(1,000,000)	(350,877)	(400,000)
Adjustments and Transfers	(122,807)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>49,123</u>	<u>-</u>	<u>49,123</u>	<u>-</u>
22.21 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	2,500,000	2,500,000	-	-
Conditions met - transferred to revenue	(74,323)	(74,323)	-	-
Conditions still to be met - remain liabilities (see note 15)	<u>2,425,677</u>	<u>2,425,677</u>	<u>-</u>	<u>-</u>

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
22.22 CORRIDOR DEVELOPMENT				
Balance unspent at beginning of year	-	-	16,416,000	16,416,000
Current year receipts	-	-	-	17,500,000
Conditions met - transferred to revenue	-	-	(4,000,000)	(33,916,000)
Adjustments and Transfers	-	-	(12,416,000)	-
Conditions met	-	-	-	-
22.23 FRESH PRODUCE MARKET IN STANGER				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	500,000	500,000	-	-
Conditions met - transferred to revenue	(133,290)	(500,000)	-	-
Adjustments and Transfers	(88,661)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	278,049	-	-	-
22.24 MAPHUMULO SMALL TOWN ESTABLISHMENT				
Balance unspent at beginning of year	85,965	-	-	-
Current year receipts	-	-	700,000	700,000
Conditions met - transferred to revenue	-	-	(614,035)	(700,000)
Conditions still to be met - remain liabilities (see note 15)	85,965	-	85,965	-
22.25 FMG				
Balance unspent at beginning of year	445,315	445,315	10,519	10,519
Current year receipts	1,250,000	1,250,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,695,315)	(1,695,315)	(565,204)	(565,204)
Conditions still to be met - remain liabilities (see note 15)	-	-	445,315	445,315
22.26 MSG				
Balance unspent at beginning of year	62,635	62,635	106,950	106,950
Current year receipts	790,000	790,000	750,000	750,000
Conditions met - transferred to revenue	(852,635)	(852,635)	(794,315)	(794,315)
Conditions still to be met - remain liabilities (see note 15)	-	-	62,635	62,635
22.27 EPWP				
Balance unspent at beginning of year	-	-	44,938	44,938
Current year receipts	349,000	349,000	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(44,938)	(44,938)
Conditions still to be met - remain liabilities (see note 15)	349,000	349,000	-	-
22.28 LGSETA				
Balance unspent at beginning of year	255,602	255,602	281,141	281,141
Current year receipts	486,194	486,194	250,362	250,362
Conditions met - transferred to revenue	(287,075)	(287,075)	(275,901)	(275,901)
Conditions still to be met - remain liabilities (see note 15)	454,721	454,721	255,602	255,602
22.29 IGR GRANT				
Balance unspent at beginning of year	417,000	417,000	-	-
Current year receipts	-	-	417,000	417,000
Conditions met - transferred to revenue	(343,200)	(343,200)	-	-
Conditions still to be met - remain liabilities (see note 15)	73,800	73,800	417,000	417,000
22.30 ENVIRONMENTAL MANAGEMENT FRAMEWORK				
Balance unspent at beginning of year	1,500,000	1,500,000	-	-
Current year receipts	-	-	1,500,000	1,500,000
Conditions met - transferred to revenue	(404,474)	(404,474)	-	-
Adjustments and Transfers	(56,627)	(56,627)	-	-
Conditions still to be met - remain liabilities (see note 15)	1,038,899	1,038,899	1,500,000	1,500,000
22.31 2010 WORLD CUP				
Balance unspent at beginning of year	459	459	-	-
Current year receipts	-	-	4,000,000	4,000,000
Conditions met - transferred to revenue	-	-	(3,508,369)	(3,508,369)
Adjustments and Transfers	(459)	(459)	(491,172)	(491,172)
Conditions still to be met - remain liabilities (see note 15)	-	-	459	459
22.32 NDWEDWE TOWN DEVELOPMENT				
Balance unspent at beginning of year	3,410,000	3,410,000	-	-
Current year receipts	-	-	3,410,000	3,410,000
Conditions met - transferred to revenue	(2,902,293)	(2,902,293)	-	-
Conditions still to be met - remain liabilities (see note 15)	507,707	507,707	3,410,000	3,410,000

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
22.33 DROUGHT RELIEF GRANT				
Balance unspent at beginning of year	-	-	58,161	58,161
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(51,194)	(51,194)
Adjustments and Transfers	-	-	(6,967)	(6,967)
Conditions met	-	-	-	-
22.34 WATER GRANTS MANDENI				
Balance unspent at beginning of year	-	-	891	891
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(891)	(891)
Conditions met	-	-	-	-
22.35 REPLACEMENT OF WATER MAINS IN KWADUKUZA				
Balance unspent at beginning of year	-	-	10,811,947	10,811,947
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(11,685,272)	(11,685,272)
Adjustments and Transfers	-	-	873,325	873,325
Conditions met	-	-	-	-
22.36 SANITATION - VIP TOILETS				
Balance unspent at beginning of year	-	-	1,473,828	1,473,828
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	(1,473,828)	(1,473,828)
Conditions met	-	-	-	-
22.37 SALARIES - IDC GRANT				
Balance unspent at beginning of year	-	-	809,746	-
Current year receipts	2,810,000	-	1,310,513	-
Conditions met - transferred to revenue	(2,810,000)	-	(2,120,259)	-
Conditions met	-	-	-	-
22.38 AGRICULTURAL HUB IDC GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	622,079	-
Conditions met - transferred to revenue	-	-	(622,079)	-
Conditions met	-	-	-	-
22.39 INDUSTRIAL DEVELOPMENT STRATEGY IDC GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	186,624	-
Conditions met - transferred to revenue	-	-	(186,624)	-
Conditions met	-	-	-	-
22.40 BROADBAND PROJECT IDC GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	186,623	-
Conditions met - transferred to revenue	-	-	(186,623)	-
Conditions met	-	-	-	-
22.41 NORTH COAST WINE PROJECT IDC GRANT				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	-	182,477	-
Conditions met - transferred to revenue	-	-	(182,477)	-
Conditions met	-	-	-	-
22.42 AGRI PROCESSING GRANT				
Balance unspent at beginning of year	5,354,927	-	4,018,213	-
Current year receipts	-	-	6,500,000	-
Conditions met - transferred to revenue	(5,354,927)	-	(9,663,266)	-
Adjustments and Transfers	-	-	4,500,000	-
Conditions still to be met - remain liabilities (see note 15)	-	-	5,354,927	-
22.43 DISASTER MANAGEMENT GRANT				
Balance unspent at beginning of year	55,318	-	292,932	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(237,614)	-
Conditions still to be met - remain liabilities (see note 15)	55,318	-	55,318	-

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
22.44 BROADBAND PROJECT GRANT				
Balance unspent at beginning of year	2,369,200	-	2,961,896	-
Current year receipts	-	-	2,500,000	-
Conditions met - transferred to revenue	(2,222,058)	-	(3,092,696)	-
Adjustments and Transfers	(147,142)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	-	-	2,369,200	-
22.45 BIODIESEL PRODUCTION FACILITY GRANT				
Balance unspent at beginning of year	2,184,800	-	1,668,780	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	(2,184,800)	-	(3,299,980)	-
Adjustments and Transfers	-	-	3,816,000	-
Conditions still to be met - remain liabilities (see note 15)	-	-	2,184,800	-
22.46 NORTH COAST WINE PROJECT GRANT				
Balance unspent at beginning of year	8,441,656	-	2,671,449	-
Current year receipts	-	-	5,000,000	-
Conditions met - transferred to revenue	(5,159,405)	-	(3,229,793)	-
Adjustments and Transfers	(509,529)	-	4,000,000	-
Conditions still to be met - remain liabilities (see note 15)	2,772,722	-	8,441,656	-
22.47 AMACAMBINI DEV PROJECT GRANT				
Balance unspent at beginning of year	757,666	-	955,921	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	(196,255)	-
Conditions still to be met - remain liabilities (see note 15)	757,666	-	757,666	-
22.48 INTEGRATED CRAFT HUB GRANT				
Balance unspent at beginning of year	321,664	-	327,148	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	(87,056)	-	(5,484)	-
Adjustments and Transfers	(3,355)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	231,253	-	321,664	-
22.49 MORINGA TREE PLANTATION				
Balance unspent at beginning of year	3,461,947	-	-	-
Current year receipts	-	-	3,500,000	-
Conditions met - transferred to revenue	(3,026,069)	-	(38,053)	-
Adjustments and Transfers	(423,363)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	12,515	-	3,461,947	-
22.50 PROJECTS EX IDC				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	2,650,000	-	-	-
Conditions met - transferred to revenue	(1,895,350)	-	-	-
Adjustments and Transfers	(119,748)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	634,902	-	-	-
22.51 RIDS GRANT MARKETING				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	200,000	-	-	-
Conditions met - transferred to revenue	-	-	-	-
Adjustments and Transfers	-	-	-	-
Conditions still to be met - remain liabilities (see note 15)	200,000	-	-	-
22.51 SIZA WATER CONCESSION				
Balance unspent at beginning of year	498,246	-	-	-
Current year receipts	1,409,612	-	-	-
Conditions met - transferred to revenue	(842,102)	-	-	-
Adjustments and Transfers	(512,294)	-	-	-
Conditions still to be met - remain liabilities (see note 15)	553,462	-	-	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS				
23.1 Other income				
Tender Documents	312,100	306,200	257,239	257,239
Clearance certificates	388,006	388,006	385,101	385,101
Private developers	27,096	27,096	1,544,294	1,544,294
Size Water Concession	1,236,503	1,236,503	1,179,733	1,179,733
Insurance proceeds	5,350	5,350	350,980	350,980
Interest on bank accounts	221,664	221,664	316,503	316,503
Gain on fair valuing of assets	-	-	294,369	294,369
Enterprise Ilembe	165,921	165,921	-	-
Adhoc Grants	-	-	2,422,422	2,422,422
Sale of agricultural produce	181,598	-	-	-
Other Grants IDM	-	-	-	-
VAT Refunds on Grants	1,545,050	-	-	-
uMngeni reimbursement	2,572,724	2,572,724	-	-
Other income	802,759	803,801	1,052,522	1,012,189
	7,458,771	5,627,365	7,783,163	7,742,830

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	68,273,100	63,370,183	57,468,554	56,012,938
Employee related costs - Contributions for UIF, pensions and medical aids	13,064,147	12,975,366	11,572,433	11,567,609
Travel, motor car, accommodation, subsistence and other allowances	4,343,168	3,271,514	3,250,163	3,250,163
Housing benefits and allowances	462,648	462,648	418,921	418,921
Overtime payments	3,106,516	3,106,516	2,953,615	2,953,615
Performance and other bonuses	3,631,200	3,631,200	3,564,247	3,564,247
Long-service awards	467,597	467,597	651,072	651,072
Other employee related costs	3,611,351	3,611,351	3,068,283	2,956,048
Employee Related Costs	97,161,727	91,098,375	82,947,288	81,374,612

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	675,631	675,631	994,794	994,794
Travel, motor car, accommodation, subsistence	45,219	45,219	34,991	34,991
Contributions to UIF, Medical and Pension Funds and other allowances	78,589	78,589	1,497	1,497
Other	13,152	13,152	17,721	17,721
Total	812,591	812,591	1,049,003	1,049,003

During the 2011/12 Financial Year the Municipal Manager was in office for only 8 months.

Remuneration of the CFO

Annual Remuneration	437,962	437,962	562,849	562,849
Travel, motor car, accommodation, subsistence	96,138	96,138	163,467	163,467
Contributions to UIF, Medical and Pension Funds and other allowances	873	873	8,221	8,221
Total	534,973	534,973	734,537	734,537

During the 2011/12 Financial Year the Chief Financial Officer (CFO) was in office for only 7 months. For the 2010/11 financial year the CFO was in the office for only 9 months.

Remuneration: CEO Enterprise Ilembe

Annual Remuneration	1,190,128	-	519,750	-
Travel, motor car, accommodation, subsistence	151,250	-	205,613	-
Other	107,296	-	-	-
Total	1,448,674	-	725,363	-

Remuneration: CFO Enterprise Ilembe

Annual Remuneration	721,979	-	67,083	-
Travel, motor car, accommodation, subsistence	55,000	-	-	-
Other	29,534	-	-	-
Total	806,513	-	67,083	-

During the 2010/2011 financial year the CFO was on contract for 11 months and a full time CFO was engaged on 1 June 2011.

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
2012			
Annual Remuneration	609,898	642,964	783,889
Travel, motor car, accommodation, subsistence and other allowances	77,156	332,964	145,812
Contributions to UIF, Medical and Pension Funds	1,247	1,497	1,497
Total	688,301	977,425	931,198

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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
		Technical Services R	Corporate Services R	Corporate Governance R
2011				
Annual Remuneration		774,473	612,346	662,550
Travel, motor car, accommodation, subsistence and other allowances		97,976	287,257	130,078
Contributions to UIF, Medical and Pension Funds		1,497	1,497	85,504
Total		873,946	911,100	878,132

25 REMUNERATION OF COUNCILLORS

Mayor	682,119	682,119	615,580	615,580
Deputy Mayor	542,230	542,230	467,134	467,134
Speaker	505,207	505,207	552,739	552,739
Executive Committee Members	1,496,409	1,496,409	1,579,104	1,579,104
Councillors	2,035,872	2,035,872	2,024,286	2,024,286
Councillors' pension and medical aid contributions	169,660	169,660	107,942	107,942
Total Councillors' Remuneration	5,431,497	5,431,497	5,346,785	5,346,785

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has 3 full-time bodyguards.

REMUNERATION OF BOARD MEMBERS:

Attendance fees at meetings:

M C Mancini	94,354		91,998	-
T C Chetty	-		32,250	-
B N Linda	96,529		82,248	-
M H Gumede	-		15,000	-
D Naidoo	-		17,500	-
I Deetlefs	108,529		60,748	-
P M Mabaso	93,395		60,748	-
R Meer	99,440		57,748	-
S Z Gumede	13,644			-
J Wiltshire	9,750			-
B Pityl	7,431			-
	523,072	-	418,240	-

26 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	23,747,172	22,783,994	19,444,744	19,361,983
Intangible assets	320,615	316,318	181,654	181,654
Total Depreciation and Amortisation	24,067,788	23,100,313	19,626,398	19,543,637

27 FINANCE COSTS

Borrowings	9,392,398	9,392,398	10,566,653	10,566,653
Leases	1,591,433	1,591,433	1,796,445	1,796,445
Total Finance Costs	10,983,831	10,983,831	12,363,098	12,363,098

28 BULK PURCHASES

Water	51,715,106	51,715,106	44,870,810	44,870,810
Total Bulk Purchases	51,715,106	51,715,106	44,870,810	44,870,810

29 CONTRACTED SERVICES

Contracted services for:
Management Contract WSSA

	10,710,440	10,710,440	8,147,211	8,147,211
	10,710,440	10,710,440	8,147,211	8,147,211

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
30 GRANT EXPENSES				
Grant Expenditure	48,811,336	35,323,432	34,482,576	55,343,780
	<u>48,811,336</u>	<u>35,323,432</u>	<u>34,482,576</u>	<u>55,153,324</u>
FMG Expenditure	1,784,753	1,784,753	565,203	565,203
Agri Process Hub Incubator	3,424,759	-	1,419,531	11,000,000
Kwashushu Hot Spring	0	-	2,000,000	2,000,000
Restoration to Beaches - KDM	0	-	2,951,935	2,951,935
Biodiesel Production Facility	309,104	-	-	3,916,000
N/Coast Vineyard & Winery Coop	1,678,485	-	-	9,000,000
Beach Facilities - Mandeni	0	-	2,000,000	2,000,000
Moringa Tree Plantations	1,336,789	-	-	3,500,000
Town Regeneration Program	0	-	56,571	756,571
Broadband Disaster Management	0	-	-	2,500,000
Review Integrated Environmental Management Plan	404,474	404,474	-	-
LG SETA Grant Expenditure	287,075	287,075	276,901	275,901
Shared Services Expenditure	2,720,635	2,720,635	2,743,464	2,743,464
Land Management Program	342,279	342,279	75,952	75,952
IGR Grant Expenditure	343,200	343,200	-	-
Municipal Turnaround Strategy	67,890	67,890	-	-
Nonoti Beach Resort	1,877,193	1,000,000	350,877	400,000
MSIG	162,828	162,828	794,314	794,314
Disaster Management	0	-	237,614	-
Amacambini Development Project	0	-	198,255	-
Maphumulo HH Sanitation	0	-	149,123	149,123
Magumbi HH Sanitation	8,190,175	8,190,175	1,025,737	1,025,737
MIG PMU	2,456,136	2,456,136	-	-
Ndwedwe Ward 16 Sanitation	384,999	384,999	3,295,567	3,295,567
Mandeni Ward 16 HH Sanitation	8,014,733	8,014,733	2,673,734	2,673,734
Ndwedwe HH Sanitation	9,164,254	9,164,254	3,146,466	3,146,466
Lindelani VIP Conversion	0	-	1,364,988	1,364,988
IDM Water Safety Plan	0	-	174,000	174,000
Reservoir locking	0	-	336,000	336,000
2010 Project	0	-	3,508,369	3,508,369
Industrial Development Strategy	0	-	3,000	-
Integrated Craft Hub	87,057	-	5,484	-
LED Projects	1,837,863	-	1,756,218	-
Siza Water Concession Monitoring	842,105	-	701,754	-
Maphumulo Small Town Regeneration	0	-	1,794,353	-
Tourism	1,039,594	-	826,816	-
Broadband Project Ex DCGTA	0	-	-	-
Projects Ex IDC	0	-	-	-
Container Project	212,850	-	-	-
Packhouse	203,895	-	-	-
Community and Development Support	40,008	-	-	-
Spatial Development Strategy	526,316	-	-	-
King Shaka Tourism Route	438,596	-	-	-
Fresh Produce Market	633,290	-	-	-
Other - New Projects	0	-	51,350	-

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
31 GENERAL EXPENSES				
Included in general expenses are the following:-				
Advertising	3,053,743	947,688	3,738,302	1,674,068
Audit fees	2,691,705	1,989,411	2,497,546	2,277,936
Bank charges	280,371	250,902	444,255	435,445
Bursaries	774	774	5,030	5,030
Cleaning	1,209,782	1,209,782	1,219,764	1,251,855
Conferences and delegations	109,176	109,176	-	36,108
Connection charges	2,732,641	2,732,641	4,576,013	4,576,013
Analysis of Water	-	-	-	-
Consumables	11,865	11,865	-	-
Contribution to	-	-	-	-
Departmental consumption	-	-	-	-
Entertainment	1,206,310	1,007,692	1,292,209	1,268,055
Financial management grant	-	-	-	-
Fuel and oil	5,888,412	5,888,412	4,585,188	4,585,188
Insurance	1,540,835	1,540,835	1,646,380	1,646,380
Legal expenses	948,687	948,687	-	961,066
Levies paid	-	-	-	-
Licence fees - vehicles	53,185	53,185	-	12,752
Licence fees - computers	262,566	262,566	322,242	322,242
Membership fees	627,870	627,870	570,709	570,709
Parking	-	-	-	-
Postage	1,272,542	1,272,542	1,068,077	1,068,077
Printing and stationery	2,498,746	2,498,746	2,391,106	2,054,444
Professional fees	3,267,754	2,627,491	4,742,737	2,723,096
Rental of buildings	252,099	243,563	199,418	199,418
Rental of office equipment	298,984	298,984	-	-
Rental of computer equipment	-	-	-	-
Other rentals	-	-	-	-
Security costs	5,232,845	5,232,845	3,743,882	2,742,163
Sewerage treatment costs	-	-	-	-
Skills development levies	-	-	-	-
Stocks and material	9,863,574	9,863,574	7,692,416	7,692,416
Subscription & publication	22,718	22,718	-	-
Telephone cost	3,255,396	3,255,398	3,305,269	3,141,364
Training	786,126	707,581	798,949	682,428
Transport claims	-	-	-	-
Travel and subsistence	709,198	386,648	406,327	99,334
Uniforms & overalls	1,168,187	1,168,187	1,057,069	1,057,069
Valuation costs	-	-	-	-
Water and Sanitation	2,102,131	2,102,131	1,145,935	1,145,935
Fresh Produce Market	-	500,000	-	-
LED Projects	-	1,600,000	-	-
Siza Water Concession	-	1,236,502	-	-
Tourism	-	900,000	-	-
Operational Grant Ex IDM	-	4,227,000	-	-
Additional Grants	-	600,000	-	-
Other	31,305,671	31,091,342	32,349,244	32,762,961
	82,673,893	87,416,736	79,798,067	75,011,594
32 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY				
Property, plant and equipment	2,076,691	2,076,691	(1,949,447)	(3,323,158)
Prior Year Depreciation	893	-	-	-
Prior Year Accounts Receivable	-285,873	-	-	-
Prior Year Rental understated	-36,572	-	-	-
Prior Year Accruals	-202,294	-	-	-
Assets under construction expensed	-	-	-	-
Vat	-	-	11,005,337	11,005,337
Loans	-	-	5,014,536	5,014,536
Other	-	-	977,707	311,386
Repairs and maintenance	-	-	-	1,373,711
Enterprise Ilembe	-	-	74,716	-
	1,552,845	2,076,691	15,122,849	14,381,812

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
33 CASH GENERATED BY OPERATIONS				
Surplus/(deficit) for the year	191,315,325	182,746,011	119,492,059	108,255,700
Adjustment for:-				
Depreciation and amortisation	24,067,788	23,100,313	19,626,399	19,543,637
Previous years operating transactions	-524,739		7,777,694	
Gain on fair valuing assets	-	-		280,324
Gain on fair value of biological assets	371,400			
Loss on disposal of PPE	83,091			
Previous years' unspent grant entity	-		280,335	-
Contribution to provisions - non-current	43,601,446	43,601,446	47,376,895	47,376,895
Contribution to provisions - current	467,597	467,597	651,072	651,072
Finance costs	10,983,831	10,983,831	12,363,098	12,363,098
Prior Year Adjustments	2,076,691	2,076,691	14,456,517	14,361,812
Investment income	-7,402,288	(6,527,455)	(6,676,417)	(5,590,682)
Bad debts written off	-120,584,071	(120,584,071)	(18,727,252)	(18,727,252)
Operating surplus before working capital changes:	144,466,070	135,864,362	196,420,400	178,526,604
(Increase)/decrease in inventories	1,112,693	1,112,693	91,917	91,917
(Increase)/decrease in trade receivables	73,217,898	73,217,898	(31,915,461)	(31,915,461)
(Increase)/decrease in other receivables	366,400	154,950	(405,681)	(987,475)
(Increase)/decrease in VAT receivable	-202,015	-	-	-
Increase/(decrease) in conditional grants and receipts	-18,660,772	(1,105,630)	(12,713,323)	(22,189,503)
Increase/(decrease) in trade payables	-11,547,523	(9,434,913)	(7,948,401)	(8,692,088)
Increase/(decrease) in VAT payable	-2,489,889	(2,489,889)	1,210,489	2,275,667
Other liability	-5,570,294	(5,570,294)		
Cash generated by/(utilised in) operations	180,692,567	191,749,176	144,739,940	117,109,661

34 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	8,769,576	6,826,837	12,447,974	8,930,778
Current investments	23,276,449	23,276,449	75,858,530	53,691,293
Net cash and cash equivalents (net of bank overdrafts)	32,046,025	30,103,286	88,306,504	62,622,071

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL

35 EXPENDITURE DISALLOWED

35.1 Unauthorised expenditure

Opening balance	47,933,899	47,933,899		
Unauthorised expenditure current year	11,017,583	10,063,734	47,062,064	47,933,899
Approved by Council or condoned	-57,997,633	(57,997,633)		-
Unauthorised expenditure awaiting authorisation	953,849	-	47,062,064	47,933,899

35.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	37,071	-	351,873	351,873
Fruitless and wasteful expenditure awaiting condonement	37,071	-	351,873	351,873

35.3 Irregular expenditure

Opening balance	-	-	-	-
Irregular expenditure current year	58,194,306	30,881,207	19,154,471	8,697,996
Condoned or written off by Council	-24,050,965	-	(19,154,471)	(8,697,996)
Irregular expenditure awaiting condonement	34,143,341	30,881,207	-	-

Incident

All irregular expenditure is as result of non-adherence to Supply Chain Management regulations or Supply Chain Management policy.

Action taken

The council referred the irregular expenditure item to MPAC for investigations and recommendations.

35.4 Deviations

Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:

Total value	122,017,843	120,940,378	29,770,643	25,508,028
	122,017,843	120,940,378	29,770,643	25,508,028

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE				
36 MANAGEMENT ACT				
36.1 Contributions to organised local government				
Opening balance				
Council subscriptions	608,362	608,362	553,056	553,056
Amount paid - current	(608,362)	(608,362)	(553,056)	(553,056)
Amount paid - previous years				
Balance unpaid (included in payables)	-	-	-	-

36.2 Audit fees

Opening balance				
Current year audit fee	2,316,232	1,989,411	2,497,546	2,277,936
Amount paid - current year	(2,316,232)	(1,989,411)	(2,497,546)	(2,277,936)
Amount paid - previous years				
Balance unpaid (included in payables)	-	-	-	-

36.3 VAT

VAT input receivables and VAT output payables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE and UIF

Opening balance	992,568	992,568	925,648	925,648
Current year payroll deductions	15,083,687	13,749,772	12,939,640	12,939,640
Amount paid - current year	(14,962,610)	(13,628,695)	(11,947,072)	(11,947,072)
Amount paid - previous years	-	-	(925,648)	(925,648)
Balance unpaid (included in payables)	1,113,644	1,113,644	992,568	992,568

The balance represents PAYE and UIF deducted from the June 2012 payroll. These amounts were paid during July 2012.

36.5 Pension and Medical Aid Deductions

Opening balance	1,305,494	1,305,494	716,254	716,254
Current year payroll deductions and Council Contributions	16,659,966	16,659,966	15,999,779	15,999,779
Amount paid - current year	(16,518,328)	(16,518,328)	(14,694,285)	(14,694,285)
Amount paid - previous years	-	-	(716,254)	(716,254)
Balance unpaid (included in payables)	1,447,132	1,447,132	1,305,494	1,305,494

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

36.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

as at 30 June 2012

Councillor CP Ngidi

Total Councillor Arrear Consumer Accounts

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
6,708		6,708
6,708	-	6,708

as at 30 June 2011

36.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy and it is reviewed annually.

36.8 Distribution Losses

Units lost (kilolitres)	10,264,312	10,264,312	9,283,597	9,283,597
Units lost (sales price per kilolitre - rands)	76,606,787	76,606,787	63,435,714	63,435,714
Units lost (purchase price per kilolitre - rands)	24,472,862	24,472,862	20,205,997	20,205,997
Units lost (percentage)	48%	48%	45%	45%

The distribution losses are mainly due to ageing infrastructure. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
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	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
37 CAPITAL COMMITMENTS				
37.1 Commitments in respect of capital expenditure				
- Approved and contracted for	273,145,542	267,237,919	256,375,760	241,670,745
Infrastructure	266,510,740	266,510,740	240,943,566	240,943,566
Community	6,634,802	727,179	15,432,194	727,179
- Approved but not yet contracted for	1,991,106,445	1,991,106,445	1,554,721,803	1,546,259,856
Infrastructure	1,991,106,445	1,991,106,445	1,546,259,856	1,546,259,856
Community			8,461,947	
Total	2,264,251,987	2,258,344,364	1,811,097,563	1,787,930,601
This expenditure will be financed from:				
- Government Grants	1,875,523,402	1,869,615,779	1,419,028,197	1,395,861,235
- Own resources	388,728,584	388,728,584	392,069,366	392,069,366
	2,264,251,986	2,258,344,363	1,811,097,563	1,787,930,601

38 RETIREMENT BENEFIT INFORMATION

38.1 Defined contribution plan

The following are defined contribution plans: Natal Joint Municipal Pension Fund, Government Employee Pension Fund, SALA Pension Fund and Municipal Councilors Pension Fund. These contributions have been expensed.

38.2 Other Long-term benefit plan

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7%	7%	8%	8%
Inflation rate	5%	5%	6%	6%
Net effective discount rate	1%	1%	1%	1%
Benchmark inflation (equal to salary inflation)	6%	6%	6%	6%
Average retirement age	63	63	63	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:				
Age 20	40%	40%	40%	40%
Age 30	25%	25%	25%	25%
Age 40	12%	12%	12%	12%
Age 50	4%	4%	4%	4%
Age 55+	0%	0%	0%	0%

The amounts recognised in the Statement of Financial Position

were determined as being the present value of the obligation:

3 430 259	3 430 259	3 200 623	3 200 623
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RETIREMENT BENEFITS (continued)

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3 200 623	3 200 623	2 549 551	2 549 551
Current service cost	501 783	501 783	491 689	491 689
Interest cost	244 229	244 229	216 924	216 924
Benefit payments	(185 407)	(185 407)	(403 689)	(403 689)
Actuarial (gains)/losses	(330 969)	(330 969)	346 148	346 148
Balance at end of year	3,430,259	3 430 259	3 200 623	3 200 623

The timing of the retirement benefits is as follows:

Current portion of employee benefits	359 069	359 069	185 407	185 407
Non-current portion of employee benefits	3 071 190	3 071 190	3 015 216	3 015 216
	3,430,259	3 430 259	3 200 623	3 200 623

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
The amounts recognised in the Statement of Financial Performance were as follows:				
Current service cost	501 783	501 783	491 689	491 689
Interest cost	244 229	244 229	216 924	216 924
Benefit Vestings	(185 407)	(185 407)	(403 689)	(403 689)
Benefit Payments	237 961	237 961		
Actuarial (gains)/losses	(330 969)	(330 969)	346 148	346 148
	<u>467,597</u>	<u>467 597</u>	<u>651 072</u>	<u>651 072</u>

39 CONTINGENT LIABILITY

39.1 Vat refund commission claim dispute.

It has been established that the entity may be liable to pay SARS in respect of VAT on grants received from Ilembe District Municipality. Representations have been made to SARS to zero rate these grants and a response is awaited.

	<u>8,932,465</u>	-	-	-
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42 RELATED PARTIES

Members of key management
Controlled Municipal Entity
Close family member of key management
Compensation to councillors and other key management

Section 57 managers
Ilembe District Municipality has a 100% holding in Ilembe Development
A parent, spouse or child of key management
Refer to note 24 & 25

Related party balances

Amount owed by Ilembe Enterprise included in other receivables	-	2,500,000	842,391	842,391
Amount owed to Ilembe Enterprise included in other creditors		74,425		

Related party transactions

Transactions with Enterprise Ilembe Development Agency				
Corridor Grant funding	-	3,500,000	31,016,000	31,016,000
Rental of offices	-	180,000	180,000	180,000
Other	-	23,125	5,663,171	5,663,171

43 EVENTS AFTER THE REPORTING DATE

There were no events after balance sheet date identified

44 RISK MANAGEMENT

44.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors	174,241,442	174,241,442	247,536,608	247,536,608
Other debtors	9,196,568	9,233,349	9,388,299	9,388,299
	<u>183,438,010</u>	<u>183,474,791</u>	<u>256,924,907</u>	<u>256,924,907</u>
Ageing of consumers				
Current (0 – 30 days)	11,972,334	11,972,334	8,930,515	8,930,515
31 – 60 Days	6,752,005	6,752,005	8,072,298	8,072,298
61 – 90 Days	6,825,801	6,825,801	6,159,908	6,159,908
91 – 120 Days	5,632,385	5,632,385	5,663,505	5,663,505
121 – 365 Days	143,058,916	143,058,916	218,710,382	218,710,382
+ 365 Days	-	-	-	-
Total	<u>174,241,441</u>	<u>174,241,441</u>	<u>247,536,608</u>	<u>247,536,608</u>
Less: Provision for bad debts	(128,796,807)	(128,796,807)	(204,204,564)	(204,204,564)
Net consumer debtors	<u>45,521,903</u>	<u>45,521,903</u>	<u>43,332,044</u>	<u>43,332,044</u>
Cash and cash equivalents	8,769,576	8,826,837	12,447,974	8,930,776
Current investments	23,276,449	23,276,449	53,691,293	53,691,293
Other investments	18,682,344	18,682,344	17,245,057	17,245,057
	<u>50,728,369</u>	<u>48,785,630</u>	<u>83,384,324</u>	<u>79,867,128</u>

These balances represent the maximum exposure to credit risk.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
44.2 Liquidity risk				
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.				
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.				
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.				
2012				
Gross finance lease obligations		4,703,359	6,414,854	11,118,213
Borrowings		2,533,251	92,307,570	94,840,821
Trade and other payables		101,861,898	-	101,861,898
Other		-	3,430,259	3,430,259
		<u>109,098,508</u>	<u>98,722,424</u>	<u>211,251,191</u>
2011				
Gross finance lease obligations		4,117,928	10,515,387	14,633,315
Borrowings		2,106,820	95,108,777	97,215,597
Trade and other payables		114,639,451	-	114,639,451
Other		-	3,200,623	3,200,623
		<u>120,864,199</u>	<u>108,824,787</u>	<u>229,688,986</u>

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

Current investments	23,276,449	23,276,449	75,858,530	53,691,293
Other investments	18,682,344	18,682,344	17,245,057	17,245,057
Gross finance lease obligations	11,118,213	11,118,213	15,254,004	15,254,004
Borrowings	94,840,821	94,840,821	97,215,597	97,215,597
Long-term receivables	183,438,010	183,474,791	256,924,907	256,924,907

45 RESTATEMENT OF COMPARATIVE INFORMATION

Provision for leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:

Statement of Financial Performance:	Restated Comparative	Prior Year Disclosure
Rental of facilities & equipment has been reclassified from other income and presented separately on the statement of financial performance		
- Rental of facilities & equipment (rental income)	97,702	-
- Other income	7,742,830	7,840,531
Retirement and long services benefits has been reclassified from the face of the statement of financial performance to employee related costs		
- Employee related costs	81,374,612	79,721,820
- Retirement and long service benefits	-	651,072
Contracted Services have been reclassified from general expenses and presented separately on the statement of financial performance, recharges have also been removed from the face of the statement of financial performance and were off set against the departmental charges (contra accounts)		
- Contracted Services	8,147,211	-
- General Expenses	75,011,594	96,002,339
- Recharges	-	(6,663,971)
Service Charges have been restated to exclude revenue forgone		
Sale of water and sewer	92,197,370	97,375,214

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	GROUP 2012	IDM 2012	GROUP 2011	IDM 2011
PPE Agriculture		9,511,083		-
Projects under construction		6,073,412		26,718,216
Depreciation		433,228		82,761
Grant Expenditure		11,854,719		4,745,403

46 TRANSFER OF AGRICULTURAL PROJECTS

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction has begun:

Agri Processing Hubs	1,322,220			
Bio Diesel	5,777,329			
North Coast Vineyards	598,097			
Winery	3,430,040			
Moringa Plantations	1,689,280			
	<u>12,816,966</u>	<u>0</u>	<u>0</u>	<u>0</u>

Special Purpose Vehicles (SPVs) will be established and the assets will be transferred into these SPVs.

In anticipation of the transfer of assets the following companies have been registered:

Rocabex (Pty) Ltd

Rocabiox (Pty) Ltd

Rocabix (Pty) Ltd

Bank accounts have been opened in the names of the three companies.

To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

47 SUBSEQUENT EVENTS

An agreement was entered into on 28 September 2012 between Enterprise Ilembe and Coalition Trading 596 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional arrangements in relation to the operation of the Ilembe Agri-Hubs Project with effect from 1 October 2012.

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June

48 COMPARISON WITH THE BUDGET

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION as at 30 June 2012								
Description	Original Budget 1	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA) 2	Final Budget 4	Actual Income/Expense 5	Unauthorised Expenditure 6	Variance 7	Actual Income As % Of Final Budget 8	Actual Outcome As % Of Original Budget 9
	R	R	R	R	R	R	R	R
Service Charges	116,654,907	104,551,353	104,551,353	95,732,711		-8,818,642	92%	82%
Investment Revenue	6,119,000	6,119,000	6,119,000	7,402,288		1,283,288	121%	121%
Transfers Recognised - Operational	213,603,233	250,995,599	250,995,599	245,754,584		-5,241,015	98%	115%
Other Own Revenue	27,980,124	63,351,471	63,351,471	28,415,594		-34,935,877	45%	102%
Total Revenue (Excluding Capital Transfers & Contributions)	364,357,264	425,017,423	425,017,423	377,305,177	0	-47,712,246	355%	420%
Employee Costs	98,431,589	95,726,135	95,726,135	97,161,727	709,352	1,435,592	101%	99%
Remuneration Of Councillors	6,781,484	6,035,939	6,035,939	5,431,497		-604,442	90%	80%
Directors Fees	0	0	650,000	523,072				0%
Debt Impairment	24,324,052	30,225,620	30,225,620	43,601,446		13,375,826	144%	179%
Depreciation & Asset Impairment	18,000,000	31,500,000	31,500,000	24,067,788	90,884	-7,432,212	76%	134%
Finance Charges	11,320,455	11,749,112	11,749,112	10,983,831		-765,281	93%	97%
Materials & Bulk Purchases	81,009,068	78,648,268	78,648,268	72,115,192		-6,533,076	92%	89%
Grant Expenses	0	44,821,494	44,821,494	48,811,336		3,989,842	109%	0%
Other Expenditures	124,162,659	121,206,657	121,206,657	93,477,424		-27,729,233	77%	75%
Total Expenditure	364,029,307	419,913,225	420,563,225	396,173,312	800,236	-24,262,985	783%	753%
Surplus/(Deficit)	327,957	5,104,198	4,454,198	-18,868,135	-800,236	-23,449,261	-428%	-333%
Transfers Recognised - Capital				210,183,459		27,821,459	115%	111%
Contributions Recognised - Capital & Contributed Assets	188,657,000	182,362,000	182,362,000					
Surplus/(Deficit) After Capital Transfers & Contributions	188,984,957	187,466,198	186,816,198	191,315,324	-800,236	4,372,198	-313%	-222%
Share Of Surplus/(Deficit) Of Associate								
Surplus/(Deficit) For The Year	188,984,957	187,466,198	186,816,198	191,315,324	-800,236	4,372,198	-313%	-222%
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	188,657,000	182,362,255	182,362,255	196,900,556	10,063,734	14,538,301	108%	104%
Public Contributions & Donations	0	0	0	0		0	0%	0%
Borrowing	0	0	0	0		0	0%	0%
Internally Generated Funds	66,168,200	36,284,969	36,284,969	32,287,004		-3,997,965	89%	49%
Total Sources Of Capital Funds	254,825,200	218,647,224	218,647,224	229,187,560	10,063,734	10,540,336	197%	153%

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

APPENDIX A

UNAUDITED SCHEDULE OF EXTERNAL LOANS

as at 30 June 2012

as at 30 June 2012							Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012	R	R
LONG-TERM LOANS			R			R		
ABSA Bank @10.65%		2025	30,000,000	-	-	30,000,000		
Development Bank of SA @10.80%		2025/09/30	67,215,597	-	2,374,776	64,840,821		
Total long-term loans			97,215,597	-	2,374,776	94,840,821		
ANNUITY LOAN			R			R		
Development Bank of SA @16.50%	13527		370,184		85,691	284,493		
Development Bank of SA @13.45%	11578	2014	5,579		1,481	4,098		
Total capital creditors			375,763	-	87,172	288,591		
TOTAL EXTERNAL LOANS			97,591,360	-	2,461,948	95,129,412		

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

**APPENDIX B
UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2012

as at 30 June 2012															
	Cost / Revaluation					Accumulated Depreciation							Carrying Value		
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance		Transfers	Other movements
Land	1,296,718	-	1,946,190	-	-	3,242,908	-	-	-	-	-	-	-	-	3,242,908
	1,296,718	-	1,946,190	-	-	3,242,908	-	-	-	-	-	-	-	-	3,242,908
Buildings	18,214,611	356,628	-	-	-	18,571,239	(3,576,218)	(630,068)	-	(722)	-	(4,209,008)	22,595	-	14,394,826
Agriculture	9,874,779	4,596,419	-	-	-	14,471,198	(363,696)	(862,213)	-	-	-	(1,225,909)	-	-	13,245,289
Biological Assets	-	-	-	-	1,038,400	1,038,400	-	-	-	-	-	-	-	-	1,038,400
Infrastructure	79,838,195	15,893,623	-	-	-	95,731,818	(11,234,637)	(1,669,183)	-	-	-	(12,903,819)	-	-	82,827,999
Sewerage Mains & Purification	590,453,892	38,201,262	-	-	-	618,655,153	(41,676,381)	(12,778,302)	-	-	-	(54,454,683)	-	-	564,200,471
Water Mains & Purification	65,919,877	-	-	-	161,946,601	227,866,478	-	-	-	-	-	-	-	-	227,866,478
Under construction	726,211,964	54,084,885	-	-	161,946,601	942,253,450	(92,911,018)	(14,447,484)	-	-	-	(67,358,502)	-	-	874,894,949
Heritage Assets	205,578	-	-	-	-	205,578	-	-	-	-	-	-	-	-	205,578
Historical Buildings	205,578	-	-	-	-	205,578	-	-	-	-	-	-	-	-	205,578
Total carried forward	755,803,649	59,047,932	1,946,190	-	162,985,001	979,782,773	(56,852,932)	(15,939,765)	-	(722)	-	(72,793,419)	22,595	-	907,011,949

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2012

as at 30 June 2012															
	Cost / Revaluation				Accumulated Depreciation										Carrying Value
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought forward	755,803,649	59,047,932	1,946,190	-	162,985,001	979,782,773	(56,652,932)	(15,939,765)	-	-	-	(72,793,419)	22,595	-	
Other Assets															
Office Equipment	3,454,503	370,280	-	(135,114)	-	3,689,669	(1,136,625)	(475,221)	42,023	8,981	(4,556)	(1,565,398)	(3,869)	-	
Machinery & Equipment	1,948,666	532,911	202	-	-	2,481,779	(531,529)	(369,093)	-	(17,455)	-	(918,077)	-	-	
Transport Assets	6,566,906	2,510,544	-	-	-	9,077,450	(3,591,997)	(606,988)	-	41,728	(411,015)	(4,568,272)	-	-	
Computer Equipment	5,971,746	1,397,262	(202)	-	-	7,368,806	(2,002,059)	(1,247,968)	-	13,074	(92,873)	(3,329,826)	(28,815)	-	
	17,941,821	4,810,968	-	(135,114)	-	22,617,705	(7,262,210)	(2,699,270)	42,023	48,329	(508,444)	(10,381,573)	(32,684)	-	
Finance Lease Assets															
Other Assets															
	21,806,403	679,508	(97,067)	-	-	22,388,844	(7,791,311)	(4,390,417)	-	88,773	-	(12,092,955)	-	-	
	21,806,403	679,508	(97,067)	-	-	22,388,844	(7,791,311)	(4,390,417)	-	88,773	-	(12,092,955)	-	-	
Total	795,551,873	64,538,438	1,849,123	(135,114)	162,985,001	1,024,789,322	(71,906,453)	(23,029,452)	42,023	135,102	(508,444)	(95,267,947)	(10,089)	-	

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

as at 30 June 2011															
	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value		
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors				Impairment loss/Reversal of impairment loss	Closing Balance
Land	1,296,718	-	-	-	-	1,296,718	-	-	-	-	-	-	-	-	1,296,718
Buildings	17,927,475	287,136	-	-	-	18,214,611	(2,966,733)	(611,485)	-	-	-	(3,578,218)	-	-	1,296,718
Agriculture	-	6,667,447	3,207,332	-	-	9,874,779	-	(350,467)	-	(13,229)	-	(363,695)	-	-	14,636,393
Infrastructure	79,838,195	-	-	-	-	79,838,195	(9,603,226)	(1,631,411)	-	-	-	(11,234,637)	-	-	68,603,558
Sewerage Mains & Purification	483,082,792	97,371,100	-	-	-	580,453,892	(30,596,686)	(11,079,695)	-	-	-	(41,676,381)	-	-	538,777,511
Water Mains & Purification	50,335,336	24,302,030	(6,768,042)	-	(1,949,447)	65,919,877	-	-	-	-	-	-	-	-	65,919,877
Under construction	613,256,323	121,873,130	-	-	(1,949,447)	726,211,964	(40,199,912)	(12,711,106)	-	-	-	(52,911,018)	-	-	673,300,946
Heritage Assets	205,578	-	-	-	-	205,578	-	-	-	-	-	-	-	-	205,578
Historical Buildings	632,886,094	128,627,713	3,207,332	-	(1,949,447)	755,803,649	(43,166,645)	(13,673,055)	-	(13,229)	-	(56,852,932)	-	-	698,950,718
Total carried forward															

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

as at 30 June 2011														
	Cost / Revaluation				Accumulated Depreciation							Carrying Value		
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss		Closing Balance	Transfers
	R	R		R	R	R	R	R	R		R	R	R	R
Total brought forward	632,696,094	128,627,713	-	-	(1,949,447)	755,803,649	(43,166,645)	(13,673,048)	-	-	-	(56,852,932)	-	698,950,718
Other Assets														
Office Equipment	2,978,621	475,882	-	-	-	3,454,503	(733,449)	(403,176)	-	-	-	(1,136,625)	-	2,317,878
Machinery & Equipment	1,752,527	196,139	-	-	-	1,948,666	(273,699)	(257,830)	-	-	-	(531,529)	-	1,417,137
Transport Assets	5,788,962	777,944	-	-	-	6,566,906	(2,964,805)	(627,192)	-	-	-	(3,591,997)	-	2,974,909
Computer Equipment	5,660,138	311,608	-	-	-	5,971,746	(958,957)	(1,043,102)	-	-	-	(2,002,059)	-	3,969,687
Finance Lease Assets														
Other Assets	16,180,248	1,761,573	-	-	-	17,941,821	(4,930,910)	(2,331,300)	-	-	-	(7,262,210)	-	10,679,611
	18,967,242	2,839,162	-	-	-	21,806,404	(4,000,460)	(3,790,851)	-	-	-	(7,791,311)	-	14,015,093
	18,967,242	2,839,162	-	-	-	21,806,404	(4,000,460)	(3,790,851)	-	-	-	(7,791,311)	-	14,015,093
Total	667,833,584	133,228,448	-	-	(1,949,447)	795,551,874	(52,098,014)	(19,795,209)	-	-	-	(71,906,453)	-	723,645,421

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2012

	as at 30 June 2012														
	Cost / Revaluation				Accumulated Depreciation										
	Opening Balance	Additions	Under Construction	Change in policy/prior year errors	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying value
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	6,566,906	3,907,806		1,946,190		12,420,902	(5,594,056)	(1,854,956)		(722)		(7,449,734)	(6,220)	-	4,964,948
Finance & Admin	30,886,244	1,259,819		-	(135,114)	32,010,949	(5,246,372)	(1,474,382)	42,023	46,329	(508,444)	(7,140,847)	(3,869)	-	24,866,234
Waste Management	79,838,195	15,893,623				95,731,818	(11,234,637)	(1,669,183)				(12,903,819)		-	82,827,999
Biological Assets	-	-	1,038,400			1,038,400								-	1,038,400
Agriculture PPE	9,874,779	4,596,419				14,471,198	(363,696)	(862,213)				(1,225,909)		-	13,245,289
Water	580,453,892	38,201,262				618,655,153	(41,676,381)	(12,778,302)				(54,454,683)		-	564,200,471
Under Construction	65,919,877		181,946,601			227,866,478								-	227,866,478
Other	22,011,981	679,508		(97,067)		22,594,422	(7,791,311)	(4,390,417)		88,773		(12,092,955)		-	10,501,467
Total	795,551,873	64,538,438	162,985,001	1,849,123	(135,114)	1,024,789,322	(71,906,453)	(23,029,452)	42,023	134,380	(508,444)	(95,267,947)	(10,089)	-	929,511,286

ILEMBE DISTRICT MUNICIPALITY AND ITS CONTROLLED ENTITY

APPENDIX D

UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2012

	2011		2012		2012	
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
			R	R	R	R
4,078,369	29,870,643	(25,792,274)	Executive & Council	799,340	31,768,899	(30,969,558)
203,485,372	33,820,923	169,664,449	Finance & Admin	264,863,628	91,024,938	173,838,689
37,835,416	49,856,239	(12,020,823)	Planning & Development	4,547,706	12,294,761	(7,747,055)
		-	Health	-	-	-
2,951,935	9,196,087	(6,244,152)	Community & Social Services	2,236,507	3,438,028	(1,201,521)
		-	Public Safety	-	-	-
		-	Sport & Recreation	-	-	-
	270,292	(270,292)	Environmental Protection	-	226,336	(226,336)
33,923,318	29,594,870	4,328,448	Waste Management	43,980,913	42,247,895	1,733,018
		-	Road Transport	314,011	-	314,011
187,054,290	196,427,587	(9,373,297)	Water	270,746,532	215,172,456	55,574,076
		-	Electricity	-	-	-
	800,000	(800,000)	Other	-	-	-
469,328,700	349,836,641	119,492,059		587,488,637	396,173,313	191,315,325
			Less: Inter-Department Charges			
469,328,700	349,836,641	119,492,059	Total	587,488,637	396,173,313	191,315,325

APPENDIX F



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON ILEMBE DISTRICT MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the ILembe District Municipality and its subsidiary set out on pages 5 to 47 which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the ILembe District Municipality and its subsidiary as at 30 June 2012, and their financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 45 to the consolidated financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of iLembe District Municipality and its subsidiary at, and for the year ended, 30 June 2011.

Material losses/ Impairments

9. As disclosed in note 3 to the consolidated financial statements, the municipality impaired trade debtors by R120,584 million.
10. As disclosed in note 36.8 to the consolidated financial statements, the municipality incurred significant water losses of R24,472 million (10,264 million kilolitres) during the year as a result of distribution losses and ageing infrastructure.

Irregular expenditure

11. As disclosed in note 35.3 to the consolidated financial statements, irregular expenditure amounting to R58,194 million was incurred during the year, mainly as a result of contracts awarded to suppliers in contravention of the Local Government: Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005) (Municipal SCM Regulations).

Subsequent events

Agricultural hubs

12. As disclosed in note 47 to the consolidated financial statements, the municipality's subsidiary has entered into an agreement with effect from 1 October 2012 with a service provider, for the operations of the iLembe Agri-hub projects.

Transfer of agricultural projects

13. As disclosed in note 46 to the consolidated financial statements, the municipality's subsidiary is currently negotiating with the funding organisations, of the constructed projects, to transfer the following projects into special purposes vehicles:

- Agri Processing Hubs
- Bio Diesel
- North Coast Vineyards
- Winery
- Moringa Plantations

Additional matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Supplementary information

15. The supplementary information set out on pages 48 to 52 does not form part of the financial statements and was presented as additional information. I have not audited the schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 62 to 76 of the annual report.

18. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

19. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

20. There were no material findings on the report on predetermined objectives, as set out on pages 62 to 76.

Compliance with laws and regulations

21. I performed procedures to obtain evidence that the municipality and its subsidiary has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Consolidated annual financial statements

22. The consolidated financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of accruals, provisions for bad debts, property plant and equipment, grant expenditure and disclosure of revenue identified by the auditors were subsequently corrected, resulting in the consolidated financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Goods and services with a transaction value of below R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Municipal SCM Regulation 17(a) & (c).
24. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by Municipal SCM Regulation 19(a).

Expenditure management

25. The accounting officers did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

26. I considered internal control relevant to my audit of the consolidated financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in findings on compliance with laws and regulations included in this report.

Leadership

27. The accounting officers did not exercise adequate oversight responsibilities over the financial statement preparation, compliance with laws and regulations and related internal controls.
28. Management have not adequately addressed the transfer of functions to the special purposes vehicles, for the management of the projects undertaken by the municipality's subsidiary.

Financial and performance management

29. The accounting officers have not implemented adequate controls to ensure that the consolidated financial statements were prepared in accordance with the SA Standards of GRAP, as material misstatements identified were corrected in the financial

statements during the audit.

30. The accounting officers did not implement adequate controls over procurement of goods and services to ensure that they complied with the requirements of the Municipal SCM Regulations and the MFMA.

Governance

31. The internal audit function of the municipality did not adequately review the internal controls over financial management by evaluating controls to determine their effectiveness, as misstatements were noted in financial management that required adjustments.

Investigations

32. An investigation is being conducted by the internal audit division to probe the manner in which the expenditure for accommodation for the South African Local Government Association games have been utilised. The investigation aims to establish whether the funds were utilised for their intended purpose and in accordance with the approved business plan. The investigation was still ongoing at the reporting date.
33. The Internal Audit Section of Provincial Treasury completed an investigation into the 2010 World Cup expenditure.

Auditor-General

Pietermaritzburg

18 December 2012



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

APPENDIX G

**iLembe District Municipality
Audit Action Plan
2011/12
as at 31 August 2012**

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
1	Irregular expenditure of R8.7 million was incurred as a result of contracts awarded to suppliers which contravened the SCM Regulations.	H	SCM	SCM Regulations not adhered to.	<p>All requirements of the SCM Regulations to be fully adhered to. Controls to be put in place to ensure irregular expenditure is identified and reported on.</p> <p>Systems to be put in place for the following:</p> <ul style="list-style-type: none"> Valid tax clearance certificates. Declaration certificates to be verified and retained for record purposes. People in the service of the State to be identified and removed from database of approved prospective service providers. Advertise all requirements over R30 000 and less than R200 000 on website and notice boards. Get updated and compliant database of approved prospective service providers. 	Manager: SCM	31/05/2012	<p>The submission of a valid original Tax Clearance Certificate is a mandatory requirement for suppliers/service providers wanting to register on the IDM Database. Follow-ups are made with the current suppliers inviting them to update their information. Automated SCM from Munsoft is being implemented which will help detect all defaulting suppliers whose information requires updating. Suppliers are forced to select categories relating to their relevant business activities. The tax clearance certificates submitted are verified by phoning SARS offices to establish their validity. All those that are inactive/fraudulent on the SARS system are rejected so are their bids.</p> <p>Database and Bid Documents forms have got a section stating that people in the service of the state must disclose that information in the document. Given the fact that connectivity to database of employees in the service of the state, is not yet available, the matter will remain a challenge country wide. The information presented is taken at face value. Since misrepresentation under oath constitutes perjury, legal services will be engaged to take appropriate action. The service providers/suppliers that have been detected in the previous audits have been removed from our database and are no longer engaged. We have requested COGTA to assist with the resources in this regard.</p>	90%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
1	Irregular expenditure of R8.7 million was incurred as a result of contracts awarded to suppliers which contravened the SCM Regulations.	H	SCM	SCM Regulations not adhered to.	All requirements of the SCM Regulations to be fully adhered to. Controls to be put in place to ensure irregular expenditure is identified and reported on. Systems to be put in place for the following: tax clearance certificates. Valid Declaration certificates to be verified and retained for record purposes. People in the service of the State to be identified and removed from database of approved prospective service providers. Advertise all requirements over R30 000 and less than R200 000 on website and notice boards. Get updated and compliant database of approved prospective service providers.	Manager: SCM	31/05/2012	Advertise over R30 000.00 All business opportunities/bids in the iLembe District Municipality over R30 000.00 are advertised on the website, print media and notice boards. Mechanisms have been introduced to eliminate deviations and only genuine deviations are accepted, other than that, transactions not classified as deviations are reported as irregular expenditure to Finance Portfolio Committee as well as Executive Committee. This requirement is being fully complied with. Get updated and compliant supplier database: This process is currently on-going, all prospective suppliers/service providers that submit their Database registration forms are captured/registered on the database. We have introduced the Munsoft Database System, it will help in enforcing controls and rotation of suppliers.	90%
2	Distribution Losses of 9.3 million kilolitres with purchase value of R20.2 million was incurred.	H	Technical	Ageing Infrastructure and inadequate maintenance.	Identify problem areas. Source funding to replace/repair infrastructure. Undertake replacement/repairs.	Director: Tech Services	30/06/2012	Replacement of aged pipe infrastructure: 4.4km of existing AC pipelines have been replaced in Mandoni (Phase 1); additional 6.5km to be replaced in Phase 2 (Tender currently advertised). Water Conservation / Water Demand Management Program has been initiated in Sundumbili; to date 91 leaks have been located and repaired, and 4 PRV's have been replaced; Furthermore, 7 control valves have been installed to manage and monitor water supply to the informal areas where there are high numbers of illegal connections. This intervention should have a significant impact on reducing real losses in Sundumbili. Water Conservation/Water Demand Management Program in KwaDukuza: leak detection and repair as well as ongoing pressure management in the KwaDukuza area of supply is continuing	100% 0% 50% Note: This work is ongoing subject to the availability of funds 80%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
4	The financial statements submitted for audit were not prepared in all material respects in accordance with the requirements of the MFMA. Material misstatements with regards to provision for doubtful debts which led to the AFS being corrected.	H	Revenue	Original calculation of provision for doubtful debts was not prudent and did not err on the conservative side.	In future the calculation of the provision for bad debts must err on the conservative side. Rather overstated than understated. System to be put in place to ensure that consumer debtors pay their current bills and also pay the arrears amounts reflected on their monthly bills.	Manager: Revenue	31/07/2012	Provision for Bad Debts as at 30 June 2012 to be calculated erring on the conservative side and using current policy/internal analysis as well as the GRAP template issued by National Treasury.	0%
5	The investigation relating to the 2010 World Cup expenditure was still in progress.	H	MM	Service provider appointed on instruction of Provincial Department of Cooperative Governance and Traditional Affairs.	Provincial Treasury internal audit is investigating the matter. MM to follow up with Provincial Treasury.	MM	31/05/2012	Debt collection systems to be put in place. Revenue Collection Plan to be drawn up. Investigation still in progress. Letter sent to HOD: Provincial Treasury on length of time the investigation is taking. Investigation is being finalised and a draft report will be issued shortly.	80%
6	Awards amounting to R1.7 million were made to suppliers in which persons in the service of the state had a business or private interest.	H	SCM	No conflict of interest declarations submitted for audit.	Declarations to be obtained from all service providers that deal with the Municipality. System to be put in place to identify suppliers in which persons in the employ of the state have an interest in. SCM Checklist to be implemented.	Manager: SCM	31/05/2012	We have made attempts to get COGTA to assist in this regard. Currently we don't have a system to detect this, we only rely on the information presented in the Database forms since these are signed the commissioner of oaths. The information submitted is taken as authentic. Database Registration forms that are not signed by Commissioner of Oaths are sent back to prospective suppliers / service providers. Also all bid documents that have this part incomplete, are disqualified.	85%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
7	Three quotations were not obtained or tender process was not followed as per the SCM Regulations.	H	SCM	The Manager: SCM did not ensure that all goods and services were procured in accordance with the SCM Regulations.	All transactions not in terms of the SCM Regulations must have a deviation form completed, authorised and submitted to the Executive Committee. SCM Checklist to be implemented.	Manager: SCM	31/05/2012	The sourcing of quotations is centralised to SCM to ensure compliance with SCM Prescripts. Where there are deviations; this is reported to the Finance Portfolio Committee. We fully comply with this, we are in a process of having the frequently procured items on short-term contract with qualifying bidders. This is done in line with the Annual Procurement Plan from user departments.	90%
8	Supplier database not updated.	M	SCM	No ongoing monitoring and supervision is undertaken to enable an assessment of the effectiveness of internal control over the supplier database in compliance with the applicable laws and regulations.	Supplier database to be updated and to comply with SCM regulation 18(b) and other relevant SCM Regulations.	Manager: SCM	30/06/2012	The database application form has been modified and the registration process currently on-going, after extensive checks for completeness and verification of the submitted documents, all prospective suppliers/service providers that submit their Database registration forms are immediately registered on the database. We have introduced the Munsoft Database System, it will help in enforcing controls and rotation of suppliers.	70%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
9	Suppliers not paid within 30 days.	M	Expend	No monthly review of outstanding invoices to ensure they are paid within 30 days of receipt of the invoice.	System to be put in place to ensure that invoices are paid within 30 days otherwise reasons for late payment are to be documented on the invoice.	Manager: Expenditure	30/06/2012	<p>Terms of payment have been set up correctly on Munsoft System in order to effectively manage creditors ageing. Monitor outstanding purchase orders to identify those that are out of the ordinary in terms of the length of period outstanding. Standard Operating Procedures are being developed to assist in addressing amongst other things this challenge. Munsoft has been engaged to assist with the correction of the creditors age analysis module.</p> <p>We have subsequently engaged with ICT Department to assist in terms of implementing an electronic document tracking system to replace the current manual invoice register. Attempts are being made to tap into the existing call centre management software. The initial engagement with the software has revealed that it would be too costly to implement this system using the current software. We therefore are still searching for appropriate tool at a reasonable cost</p>	70%
10	During the year end stock count it was noted that the stock physically present at the stores located at Ndwedwe, Mandeni and Maphumulo were not accounted for in the accounting records.	M	SCM	No controls to ensure that the stock system is updated with physical stock on hand at the three outlying stores.	System of stock control to be implemented at the Ndwedwe, Mandeni and Maphumulo stores.	Dave Geils/ Manager: SCM	30/06/2012	<p>Cyclical stock taking has been undertaken in the satellite stores (Mandeni, Maphumulo and Ndwedwe). The final (year-end stock count has been conducted during the last week of June.</p> <p>Manual system of control has been put in place for accounting the stock movement in the satellite stores. This is being addressed by the Manager: Inventories & Asset Management, mainly to ensure timeous stock counts are being undertaken and systems are being put in place to ensure compliance in all other satellite stores.</p>	70%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
12	Staff loans were outstanding for employees who had left the employ of the Municipality and where there were no loan agreements.	L	Expend	Staff loans must be paid prior to staff leaving the employment of the Municipality.	A report to be prepared to write off the relevant loans and the adjustment to be processed in the 2011/12 financial year.	Manager: Expenditure	31/07/2012	The item was submitted to the meeting of council on 20/06/2012 but the council deferred this item for further deliberations.	80%
13	An Information Technology (IT) governance framework had not been implemented.	M	IT	For the majority of the financial year the framework was not formally adopted and implemented.	Implement IT governance framework.	Manager: IT	31/08/2012	A DRP was developed that address IT governance and framework and have been implemented . ICT Risk register is in place, ICT policies have been reviewed . Policies were tabled to Council on 4 September. Only ICT Policy was discussed, the Council made recommendations and requested that the policies be tabled again at a council workshop. Date to be confirmed.	90%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
17	Existence of assets and GRAP compliant asset register.	H	Expend	Full verification of assets to be done and asset register to be GRAP compliant.	Employ interns to undertake full asset verification. Asset register to be fully GRAP compliant.	Dave Gells/ Manager; Expenditure	15/08/2012	Appointed interns. Accounted for all assets purchased from 1 July 2011 to 30 April 2012 and bar coded the assets. Training on BAUD has been provided by PWC. Four officials have been trained. Extracted asset details of assets purchased 1 July 2011 to 30 April 2012. Scanning machines received. Verification of assets well advanced. Busy extracting new asset details 1 May 2012 to date. Impairments and write offs will emanate from verification. Asset register will be updated with new assets, write offs and impairment	80%
18	Incorrect allocation of expenditure related to repairs and maintenance.	M	Expend	Inadequate review to ensure that expenditure is correctly allocated prior to approval and capturing thereof.	System to be put in place to ensure that all expenditure is correctly allocated prior to capturing thereof.	Manager: Expenditure	30/06/2012	Dedicated votes for capital expenditure previously misallocated as part of Repairs & Maintenance have been created on Munsoft System. Technical Services and Budget Units have been advised to make budgetary provisions for newly created votes through adjustment budget. Both the technical services and budget units have been advised. New appointment at technical services to assist with finance related matters.	70%

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
19	Non-compliance with AGSA requirements to achieve clean administration	M	MM	MM to ensure that all AGSA requirements in terms of the new Dashboard be complied with	System to be put in place to ensure that all AGSA requirements are met in order to achieve clean administration before year end.	MM	Ongoing	Processes are being implemented in order to achieve compliance with AGSA requirements however, due to staff constraints and the additional volume of work required to meet the AG requirements, SALGA will be approached for guidance on how to address this issue. Monthly reporting is taking place with both finance and performance reports.	65%
20	The following physical controls shortcomings were noted at the municipality: Visitors entering the municipality are not required to complete a visitor's register or to declare physical computer equipment such as laptops. Visitors are not required to wear a visitor's card. Formal policies and procedures relating to physical and environmental controls were not available. Formal evacuation procedures were not available. Unauthorised access to the Head Office and the removal of equipment could occur.	L	IT	Adequate procedures not implemented due to oversight.	These weaknesses will be addressed.	Director: Corporate Governance	31/07/212	The physical controls shortcomings are being addressed together with the appointment of the Security company for a three year period. Isidingo Security was appointed.	80%

COMPLETED

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action	Assigned To	Date of Action	Action to Date	% Complete
1	Awards made to service providers without proof of tax clearance certificates.	H	SCM	The Manager: SCM did not ensure that all transactions procured were made to providers who have tax clearance certificates from SARS to show that their tax matters are in order.	A system to be put in place to ensure all service providers appointed have a valid tax clearance certificate from SARS. SCM Checklist to be implemented.	Manager: SCM	Completed	All prospective suppliers/service providers that do register on the IDM Database are required to submit original Tax Clearance Certificates. Those that fail to meet this requirement are not registered.	100%
2	Daily cashier reports are not checked and signed by the supervisors as evidence of review.	M	Revenue	The Revenue Manager has not monitored the daily cashier reports to ensure the reports are monitored and reviewed by the Supervisors.	Going forward all daily cashier reports will be signed when reviewed and this will be monitored by the Manager: Revenue.	Manager: Revenue	Completed	Daily cashier reports are signed and reviewed daily by the Supervisors and reviewed by the Accountant/Financial Officer at month end...	100%
3	A formal Information Technology (IT) steering committee had been established to commence from June 2011.	M	IT	For the majority of the financial year the IT steering committee was not formally adopted and implemented.	IT steering committee to be established and to meet on a regular basis.	Manager: IT	Completed	An IT Steering Committee with the participation of Senior Management commenced in June 2011. The meetings are taking place monthly.	100%

4	The user account management procedures were only approved during June 2011. Weaknesses were identified with regard to the management of user accounts for the LINUX application server and the Munsoft and VIP application system environments.	M	IT	This matter was not addressed due to lack of resources.	The procedures were prepared in June 2011.	Manager: IT	Completed	The user account management procedures have been approved and implemented.	100%
5	The District Municipality did not include key financial performance objectives and measurement criteria as part of the multi year business plan for Enterprise Ilembe.	H	PMS	The parent municipality and the municipal entity did not ensure compliance with the SLA and applicable legislation.	IDM to include key financial performance objectives and measurement criteria as part of the multi year business plan for Enterprise Ilembe.	Manager: PMS	Completed	The SDBIP has been attached as part of the SLA under the multi year business plan section for the 2011/12 financial year. This was approved by EXCO.	100%
6	Long service leave gratuity not paid on time.	L	HR	Long service awards are not paid timeously.	A schedule of long service awards will be printed out from the system on a monthly basis and will be reviewed by the Manager: HR.	Manager: HR	Completed	Monthly system has been introduced. HR advises payroll on a monthly basis employees that are entitled to a long service award in that month. This schedule is reviewed by the Manager: HR monthly.	100%
7	Unauthorised expenditure of R47.9 million was incurred due to funds being overspent in accordance with the budget vote.	H	Budget	Budget figures not adequate.	Adjustment budget to reflect changes experienced during the year.	Manager: Budget	Completed	Adjustments Budget Process was completed and approved by council on 22/02/2012. Obtained clarity from AG on definition of unauthorised expenditure. Report condoning 2010/11 unauthorised expenditure was submitted to Council and a resolution was taken, condoning the expenditure. This also served before SCOMA, and was condoned there as well.	100%

8	The Munsoft programmers have direct access to the production environment. This could compromise the segregation of duties around change control process implemented by management.	M	IT	Lack of reviewing of the activities of support staff and applying the segregation of duties around change control process implemented by management.	Review the access granted to programmers and ensure that logs are reviewed regularly and tied back to a change request form and that programmers no longer have access to production. The change request process will also be applied to VIP changes made. Munsoft programmers have been requested to complete a change request form requiring the security officer's approval for any changes that they make. It has been requested that an activity log be developed to monitor access to the system by technical staff.	Manager: IT	Completed	The access granted to programmers is being reviewed through the logs and tied back to a change request form. The Munsoft programmers still have direct access to the production environment but that is being monitored. The Munsoft programmers are completing a change request form requiring the security officer's approval for any changes that they make. Activity logs are monitored check all access to the system by technical staff.	100%
9	Lack of formalised, documented and approved policies pertinent to financial reporting.	L	CFO	Financial and risk management policies have not been developed in compliance with laws and regulations.	The following policies to be developed: Related parties. Subsequent events. Unauthorised, irregular and fruitless expenditure. Contingent assets and liabilities. Commitments. Accruals. Provisions.	CFO	Completed	The policy on irregular, unauthorised, fruitless and wasteful expenditure has been developed. Related parties, Subsequent events, Contingent assets and liabilities, Commitments, Accruals and Provisions are covered by the accounting policy notes included in the Annual Financial Statements.	100%
10	Consumer debtors deposit reconciliation not evaluated monthly.	L	Revenue	The reconciliation of consumer deposits has not been performed monthly.	A documented monthly reconciliation of the Consumer Deposits will be undertaken on a monthly basis.	Manager: Revenue	Completed	Documented reconciliation introduced as at 29 /02/2012 as regards Consumer Deposits. Reconciliation for previous months to be done.	100%
11	The draft DRP has been finalised and the plan is now being implemented but has not been tested. Once the new equipment is in place formal testing of the DRP will commence during December 2011. In the event of a disaster the municipality may not be able to recover critical systems within an appropriate time frame and the systems may consequently be unavailable for a lengthy period.	M	IT	Management had not implemented a formally documented, approved and tested BCP and DRP due to a lack of resources.	The plan has been finalised and is now being implemented. Once the new equipment is in place we will test the DRP by December 2011.	Manager: IT	Completed	The DRP is now in place and test was done.	100%

12	Lack of performance management system and processes for all levels of staff.	M	PMS/HR	The risk of poor and lack of performance by staff and the resultant negative impact on service delivery was not identified by the risk assessment process of the Municipality.	Policy addressing performance management to lower levels of staff will be developed. The target date for implementation is May 2012.	Manager: PMS/ Manager:HR	Completed	Framework was adopted 20 June 2012. Salga is currently busy with guideline for implementation of PMS for lower levels of staff. A policy to address this will be developed once the guidelines are finalised and issued to the municipalities.	100%
13	The SLA for Munsoft was only finalised in June 2011. The SLA with Network Support was finalised in January 2011.	M	IT	For the majority of the financial year the formal SLAs were not finalised.	The SLAs have been finalised and they will be monitored by the IT steering committee.	Manager: IT	Completed	The SLAs are being monitored by the IT Steering committee	100%
14	Weaknesses were identified with regard to backups on the LINUX application server, and the Munsoft and VIP applications, which could result in the municipality not being able to recover data in the event of a disaster.	M	IT	Management had not established adequate backup policies and procedures due to a lack of resources.	Once the DRP is finalised backup tapes will be taken offsite. The servers will be replicated offsite.	Manager: IT	Completed	The data is being replicated daily at uMhali VIP and Munsoft. Munsoft is also being backed up at Munsoft offices in Joburg daily. The service provider that is providing maintenance for DR is also responsible to backup tapes and keeping them offsite.	100%
15	Adequate explanations of measures taken to improve performance for the Service Delivery and Infrastructure programme were not provided as required in terms of the relevant reporting guidelines.	H	PMS	A proper review of the annual performance report to ensure that the measures taken to improve performance were recorded, has not been performed.	The annual performance report to include measures taken to improve performance.	Manager: PMS	Completed	The annual performance report for the 2011/12 financial year has been completed and includes measures taken to improve performance.	100%
16	The Performance Internal Audit Quarterly Reports for the fourth quarter were not completed by the date of submission of the report for auditing.	M	Internal Audit	The Internal Audit Division did not finalise the quarterly reviews before the performance information is scheduled for submission.	System/Plan to be put in place to ensure that the Performance Internal Audit Quarterly Reports are completed by the necessary legislated timelines.	Manager: Internal Audit	Completed	The 4th quarter report was completed before the 31st August 2012.	100%

17	A number of weaknesses exist on the LINUX application server that houses the Munsoft application system.	M	IT	Inadequate implementation of policies and procedures due to logical access security settings not being appropriately set.	All weaknesses will be identified and the necessary action will be taken to regularise the weaknesses.	Manager: IT	31/08/2012	The Linux security standards have been Implemented	100%
18	Formally approved LINUX security standards and procedures have not been implemented for dealing with LINUX security issues of users at the Municipality. Without sound security standards and procedures, there are no rules for users to follow to minimise the risk of fraud and the loss of data confidentiality, integrity and availability.	M	IT	This issue has not been addressed due to the lack of resources.	The security standards and procedures will be incorporated into the existing IT security procedure.	Manager: IT	30/08/2012	The Linux standards and procedures has been developed , approved and implemented	100%

APPENDIX F

APPENDIX G

APPENDIX H

Organisational Scorecard 2011/2012 - Annual Report

NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	2010/2011 ANNUAL ACTUAL	ANNUAL TARGET	ANNUAL ACTUAL	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	WEIGHTINGS	PERFORMANCE SYMBOLS
Basic Service Delivery	To eradicate the backlog and cater for future demands that may arise out of the new developments that are likely to be implemented within the Ilembe District Municipality	Water Projects	50,277	3609	Number of hls with new access to water	Number	3609	6000hls	4222hls			M	☹
	To eradicate the backlog and cater for future demands that may arise out of the new developments that are likely to be implemented within the Ilembe District Municipality	Sanitation Projects	53,452	1650	Number of hls with new access to sanitation	Number	1650	4305hls	4314hls			M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Water Projects Expenditure	N/A	683, 478, 333	Rand Value of expenditure - Water	Rand value	R 63,478,333	R151,739m	R 187,133,547.23			M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Sanitation Projects Expenditure	N/A	R27, 312,063	Rand Value of expenditure - Sanitation	Rand value	R 27,312,063	R 34,967,066	R 35,164,154.89			M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Refurbishment	N/A	a) 80% b) New indicator	a) % progress in implementation of refurbishment projects b) The number of projects completed by June 2012	% and number	Not measured	a) 100% b) 10 by June 2012	a) 75% b) 12			M	☹
	To eradicate the backlog and cater for future demands that may arise out of the new developments that are likely to be implemented within the Ilembe District Municipality	Size Water	N/A	Draft Plan	Size Water Plan signed by deadline	Date	Draft Plan	End June 2012	Contract not signed	Size Water negotiations have not been concluded	Legal Services department has taken over issue	M	☹
	To eradicate the backlog and cater for future demands that may arise out of the new developments that are likely to be implemented within the Ilembe District Municipality	Capital Budget	N/A	New Indicator	% capital Budget spent on capital Projects (internal funded)	%	Not measured	10%	14%			M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Ilembe DM specific Water Infrastructure	N/A	100%	% household with water services reinstated within 48hrs	%	100%	100%	97.86%	2% immaterial		M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Ilembe DM specific Sanitation Infrastructure	N/A	100%	% household with sanitation services reinstated within 24hrs	%	100%	100%	100%			M	☹
	To ensure the quality of drinking water in the region is improved	Green drop status	N/A	80-40%	% improvement on the overall assessments in green drop status	%	Not measured	85%	Not addressed	2 of Six Water Plants was low risk and Ilembe plants high risk (Vukile & Amalibulu), Sundumbili medium to high risk. However final assessment will be made in next FY	Repairs & maintenance budget should also focus on IDM plants identified as high risk	M	N/A
Financial Viability and Management	To ensure the quality of drinking water in the region is improved	Blue drop status	N/A	85-50%	% improvement on the overall assessments in blue drop status	%	Not measured	90%	95.38%			M	☹
	To provide sustainable infrastructure that will render water and sanitation services	Operational Budget	N/A	New Indicator	% operational budget spent on repairs and Maintenance	%	Not measured	10%	7%	Some projects were put on hold due to non-availability of funds		M	☹
	To ensure long-term financial viability and sustainability of Ilembe District Municipality.	Completion of Financial Statements 2010/2011	N/A	Completed and submitted 15 September 2010	Completed financial statement by deadline	Date	Completed financial statements were submitted on the 15 September 2010	31 August 2011	Completed statements were submitted on 31 August to the AG			M	☹
	To ensure long-term financial viability and sustainability of Ilembe District Municipality.	Complete Budget for 2012/2013	N/A	Done by 10 May in previous year	Approved fully funded Capital/Operating Budget for 2012/2013 by deadline	Date	Approved 10 May 2011	31 May 2012	Annual Budget Approved on 30 June 2012			M	☹
	To ensure long-term financial viability and sustainability of Ilembe District Municipality.	Obtain qualified audit report for 2010/11	N/A	Unqualified Report for 2010/2011	Unqualified audit report in respect of financial statements	%	Obtained unqualified audit report	Unqualified audit report in respect of financial statements	Unqualified audit report received for 2010/2011			M	☹
Financial Viability and Management	To ensure long-term financial viability and sustainability of Ilembe District Municipality.	Capital Expenditure	N/A	New Indicator	% quarterly capital expenditure as of planned expenditure (Actual/capex/budgeted capex)	%	Not measured	100%	95%	Accept the variance as immaterial.		M	☹

Organisational Scorecard 2011/2012 - Annual Report

NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	2010/2011 ANNUAL ACTUAL	ANNUAL TARGET	ANNUAL ACTUAL	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	WEIGHTINGS	PERFORMANCE SYMBOLS
Financial Viability and Management	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Operational Expenditure	N/A	New Indicator	% quarterly operational expenditure as of planned expenditure (Actual open /budgeted open) x100	%	Not measured	100%	90%	Non-cash items like depreciation, debt impairment and impairment of assets is not yet accounted for.		M	⊖
	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Revenue Collection	N/A	73%	Quarter collection rate on billings	%	Sewer 80% Water 70%	75%	67%	Slitrack has been engaged by the council to embark on aggressive debt collection and the monthly collection revenue rate is currently sitting 80% which is a great improvement.		M	⊖
	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Compliance with the SCM Policy	N/A	8 days	a) Turnaround time for the SCM processes in recommending preferred supply to Departments (quotations, adverts etc.) (Between R20 000 & R200 000) b) Turnaround time for the SCM processes in recommending preferred supply to Departments (quotations, adverts etc.) (Between R2000 and R20 000)	Number	a) 8 days b) Not measured	a) 10 days turnaround time b) 5 days turnaround time	a) 12.3 Days b) 5.1 Days	a) One of the staff member responsible for quotations was suspended which slowed the process. b) N/A	a) An intern is now working in the department, also to speed up the process, the quotation process, the SCM process will be automated starting from 01 September 2012 b) N/A	H	a) b)
	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Compliance with the SCM Policy	N/A	a) 121.5 days b) New indicator	a) Turnaround time for processing all the bids b) Turnaround time in processing bids for banking services	Number	a) 121.5 days b) Not measured	a) 60 days b) 90 days	a) 55.8 Days b) 82 Days			H	a) b)
	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Payment of creditors	N/A	30 days	% of claims submitted to Finance paid within 30 days	%	91%	100%	82.35%	The system of managing the process is currently manual and user departments take long to approve payment of invoices which results in late payment of creditors.	With the improvement in the operation of the expenditure management committee, Implementation of Standard Operating Procedures, Implementation of a document tracking system and automation of the SCM process, this area will be greatly improved	H	
Social Transformation	To ensure long-term financial viability and sustainability of Lembe District Municipality.	Statutory reports	N/A	Submitted by the 14th of each month	Percentage of monthly reports that are submitted by the 14th of each month	%	100%	100%	100%			H	
	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Human Resources	0%	a) 48% b) 78% c) New indicator	a) % of critical posts filled b) % of filled posts in the organogram c) % of budgeted posts filled	%	a) 48% b) 78% c) Not measured	a) 100% b) 95% c) 100%	a) 88% b) 78% c) 88%	Performance improvement therefore progress is noticeable		M	a) b) c)
	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Monitor service provider performance	N/A	New Indicator	Reports from service providers received in line with signed SLAs	Frequency	Not measured	monthly	monthly and quarterly			M	
	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Skills Retention	N/A	New indicator	% Reduction in Labour Turnover in the two highest levels of employment	%	Not measured	10%	9%			M	

Organisational Scorecard 2011/2012 - Annual Report

NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	2010/2011 ANNUAL ACTUAL	ANNUAL TARGET	ANNUAL ACTUAL	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	WEIGHTINGS	PERFORMANCE SYMBOLS
Institutional Development and Transformation	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Employment Equity	N/A	a) New Indicator b) New Indicator	a) % compliance b) Number of the previously disadvantaged individuals employed in the 3 highest levels of employment.	% and number	a) Not measured b) Not measured	a) 100% b) 19	a) 2% b) 24	The plan is in the draft format & awaiting approval	The committee has been applied, workshop conducted on the 06 June 2012. The plan will approved at next Exec meeting	M	a) b)
	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Legal matters	N/A	75%	% increase in the total number of legal cases that are resolved	%	84%	80%	88,63%	Where subject claim is in dispute matters become involved on conclusion of trial (Example - 352/2010 - Lush Rock trading vs LSW in high court)		M	
	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	WSP	N/A	New Indicator	% of budget spent on WSP	%	Not measured	100%	79,21%	Informed by Finance budget depleted	Require access to Munsott to track budget	M	
Socio Economic Services	To promote an institution that is representative, participative and empowered to improve the institutional capabilities for service delivery.	Training	N/A	WSP & ATR complied 30 June 2011	WSP & ATR complied by deadline	Date	30 June 2011	30 June 2012	Submitted on 28 June 2012			M	
	To build a strong Project Management Unit - so as to be able to bridge 1 st & 2 nd economies through catalytic and high-impact projects and to nurture new ideas which have commercial potential BUT have high impact potential poverty, jobs and empowerment	Local Economic Development	N/A	450	Number of jobs created through LED initiatives a) Agri - processing hubs b) % progress in implementation of the project c) Expenditure d) Number of direct & indirect job opportunities created	Number	Technical Partner Appointed	a) 100% by June 2012 b) 100% by June 2012 c) 120 permanent & temp	a) 8% b) 144,7% c) 159	i) Operational Costs are still being paid from Ei (project vote) ii) 99 Ei & 60 SP	i) Downgraded from 3 phase to 1 phase to be complete end July. ii) Ei in the process of transferring the Labourers and opex costs to the SPV's.	H	i) ii) iii)
		Winery			a) % progress in implementation of the project b) Expenditure c) Number of direct & indirect job opportunities created	Number	Technical Partner Appointed	a) 50% by June 2012 b) 50% by June 2012 c) 60 direct	b) i) 80% ii) 104,80% iii) 62	i) The construction of the Winery was fast tracked as per request from the Funder ii) The Expenditure was fast tracked as per request from the Funder	i) Construction - September 2012	H	i) ii) iii)
		Bamboo Biodiesel			i) % progress in implementation of the project ii) Expenditure iii) Number of direct & indirect job opportunities created	Number		a) 50% by June 2012 b) 50% by June 2012 c) 7 direct	c) i) 49% ii) 188,34% iii) 12	ii) This is due to the rising steel prices and the cost of Equipment. When the project expenditure was budgeted for in 2009 Equipment was cheaper than what it is in 2012. Additional costs of the regulatory licence applications which were not planned for initially affected the budget of this project.		H	i) ii) iii)
		Moringa Plantations			i) % progress in implementation of the project ii) Expenditure iii) Number of direct & indirect job opportunities created	Number	Technical Partner Appointed	a) 100% by June 2012 b) 100% by June 2012 c) 40 direct	d) i) 100% ii) 95,87% iii) 54	ii) Final invoices to be processed in July iii) Increase in labour uptake to fast track progress		H	i) ii) iii)
		Bamboo Open farms			i) % progress in implementation, facilitations & co-ordination of the project ii) Expenditure iii) Number of direct jobs retained	Number		a) 100% by June 2012 b) 100% by June 2012 c) 381 direct jobs retained	e) i) 100% ii) 92,89% iii) 381	ii) Invoices for the final Spinach, Cabbage seedlings and fertilizer are being processed through the Financial Department.		H	i) ii) iii)

Organisational Scorecard 2011/2012 - Annual Report													
NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	2010/2011 ANNUAL ACTUAL	ANNUAL TARGET	ANNUAL ACTUAL	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	WEIGHTINGS	PERFORMANCE SYMBOLS
Socio Economic Services	To Establish Disaster Management Centre	Disaster Management Centre	N/A	No building	% Progress in completion in % and date building up the disaster management centre by deadline	% and date	Service provider appointed	50% construction completed by June 2012	0%	Contractor to send the updated project plan with the cash flow analysis for the duration of the 7 month project. The target has not been achieved. Contractor already appointed and have moved on site to commence with demolition work. The second Geo-Tech test has been finished and will be presented on 04 July 2012. The estimated time for the project completion is mid January 2012.	Bi-monthly meetings held on site to monitor the Contractor and all other Sub- Contractors on an ongoing basis. Bi-monthly meetings are to discuss all site issues and other technical matters in relation to the project.	M	
	To prevent or reduce the risk of disasters, mitigate the severity or consequences of disasters, prepare for emergencies, respond rapidly and effectively to disasters and to implement post-disaster recovery and rehabilitation within Lembe District	Disaster Management Centre	N/A	New Indicator	Fully functional Call Centre by deadline	Date	Not measured	June 2012	Communications system not fully functional as some of the outstanding issues include licensing.	Disaster Management staff familiarising themselves on the Communication System. Ongoing training is scheduled to ensure that all staff work comfortably with the system. The system will be relocated to the new Disaster Management Centre upon completion. On	One on one meetings scheduled with the Service Provider to ensure that the closed report is in line with the original contract signed between the Service Provider and Lembe District.	M	
	To prevent or reduce the risk of disasters, mitigate the severity or consequences of disasters, prepare for emergencies, respond rapidly and effectively to disasters and to implement post-disaster recovery and rehabilitation within Lembe District	Emergency Relief	N/A	100%	% of all incidents responded to	%	100%	100%	100%			H	
	To provide an effective and comprehensive environmental health service to the community	Occupational Health & Safety	N/A	N/A	a) 50 staff b) 48	a) No of staff trained b) Reduction in the ODB as a result of training	Number	a) 225 staff trained b) Not measured	a) 80 b) 40	a) 185 Staff trained b) 31 ODB Cases			L
Good Governance & Public Participation	To provide an effective and comprehensive environmental health services to the community	Health & Safety Lab reports - Water Quality	N/A	a) 144 b) New Indicator	a) Number of samples taken and analysed b) Percentage of unsatisfactory samples reported and rectified	Number & %	a) 144 b) Not measured	a) 144 b) 100%	a) 144 b) 0%	No samples were found to be satisfactory therefore nothing forwarded to ITS		H	a) b) N/A
	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Annual Management Performance Report	N/A	2009/10 AMPR done and submitted 01 Sept 2010	2010/11 AMPR done by Lembe PMS Unit by deadline	Date	30 September 2010	31 August 2011	30 August 2011			H	
	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Auditor General report on Performance Management	N/A	Unqualified Report for 2010/2011	Unqualified audit report in respect of performance information	Unqualified Report	Obtained unqualified audit report	Unqualified audit report in respect of performance information.	Unqualified audit report received for 2010/2011			H	
	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Annual Report	N/A	Annual Report	Annual Report adopted by deadline	Date	Final 2009/2010 Annual Report submitted	31 January 2012	Approved 31 January 2012			H	

Organisational Scorecard 2011/2012 - Annual Report

NATIONAL KPA's	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	2010/2011 ANNUAL ACTUAL	ANNUAL TARGET	ANNUAL ACTUAL	REASON FOR VARIANCE/ COMMENTS	CORRECTIVE MEASURE	WEIGHTINGS	PERFORMANCE SYMBOLS
Good Governance & Public Participation	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Public Participation	N/A	8	Number of Public meeting held	Number	90%	16	30 meetings			H	●●
	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Special Projects (Youth)	N/A	a) New indicator held b) No plan in place	a) Youth summit held by deadline b) Develop a youth plan by deadline	Date	Not measured	a) Feb 2012 b) Youth plan by June 2012	a) 14 March 2012 b) Youth plan completed	Plan not approved - Meeting to approve plan was postponed due to Taxi Violence.	Meeting scheduled for 3 August 2012.	M	a) ●● b) ●●
	To build systems and mechanisms for accountability to ensure functionality, efficiency, effectiveness and value for money including public participation	Inter Governmental Relations	N/A	86%	% Efficiency of operations of Mayors Forum (Calculated by number of sub committees that are functional as a proportion of the total)	%	80%	100%	95%	Representativity in terms of full attendance of sub-fora members still a concern. Also LMs are sending junior officials in some of the sub-fora which affects the decision making process implementation.		M	●●
	To Provide co-ordination of Government work	Integrated Developmental Plan	N/A	Mar-11	IDP Review adoption by deadline	Date	Approved 10 May 2011	30 June 2012	Final adopted on 20th June 2012			H	●●
	To Provide co-ordination of Government work	Internal Audit	N/A	10	Number of audit assignments completed by deadline	Number	9	12	16			H	●●
	To Provide co-ordination of Government work	Internal Audit	N/A	4	Number of report from Internal Auditors to Audit Committee to ensure effectiveness of the Unit	Number	Not measured	4	4			H	●●
	To Provide co-ordination of Government work	Audit Committee	N/A	2	Number of report from Audit Committee to ExCo to ensure effectiveness of the committee	Number	Not measured	2	2			H	●●

Performance Symbols			
Target Met	In Progress	Target not met	Total
●●	●●	●●	
42	16	8	66

Weighting Symbols			
HIGH	MEDIUM	LOW	TOTALS
H	M	L	
48	18	2	68

APPENDIX I



enterprise ilembe

ECONOMIC DEVELOPMENT AGENCY

ANNUAL REPORT

2011/2012

DRAFT VERSION 1

22/01/2013

VISION

To make iLembe District the Investment Destination of Choice

MISSION STATEMENT

To enable iLembe District Municipality, to create a conducive environment for Economic Development

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CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1. FOREWORD BY THE CHAIRMAN

This report marks not just another year end for us, but another millionstone achievement by this much envied organisation, charged with the daunting responsibility of facilitating for economic conditions and investment market responsive to the socio-economic needs of Ilembe District Municipality. We do though mark the end of, yet another year of depressed economic growth and job growth. Thus our measure has to be based on our responsiveness to the *triple challenge of Poverty, unemployment and Inequality*, a precise idiomatic expression by the President of the Republic, His Excellency J.G. Zuma.

In the book "the 23 things they don't tell you about Capitalism", the Author Ha-Joon Chang, states "*The best way to boost the economy is to redistribute wealth downward, poorer people tend to spend higher proportion of their income*".

The Organisational Review

In the description and assessment of the founding partners of Enterprise iLembe, being the iLembe District Municipality, Industrial Development Corporation and funding partner in the Department of Cooperative Governance & Traditional Affairs, the organisation has reached the last phase of its establishment. The substance being that, the organisation enjoys both the structural capacity & resources and a solid project pipeline, as desired of a well established LED and Trade & Investment Entity.

This expectation was set as a target in the establishment of Enterprise Ilembe and the funding arrangements, designed accordingly. It is indeed heart warming that we have achieved that millionstone, given the challenging years within which we have had to do this. The year 2009, marked a deepening of a global recession which has marred our economy hitherto. To grow in structural capacity and on the ground project delivery, is indeed a notable achievement, against the set target.

While the rest of the country has been preoccupied with formulating LED plans, over the last three years, we have conceptualised, arranged and implemented LED projects in excess of R40 millionlion, which are now in operational stage. These projects, owned by local communities, through Entity arranged registered entities, have been developed to commercial sustainability, beyond the grant funding by Government. The most notable example of this, is the agri-hubs project, where the Entity incubated the project from inception, procured technical capacity & private capital investment, to securing commercially viable supply contracts for the venture.

Enterprise iLembe is entering a new phase in the second round of LED projects, focused on expanding the priority sectors of Agriculture, Manufacturing and Tourism and building on the first round of LED projects. With the knowledge and capacity of the Entity, these are expected to be delivered, end to end, within a timeline shorter than three years, with a focus to maximise youth employment and ownership.

Our trade & investment promotion work has continued to underperform, in spite of our improved investor specific market intelligence and information and targeted attraction.

Perhaps the reported trillions of private capital not being invested for reasons attributed to uncertainty in the market etc, perhaps is consistent with the earlier quote of Ha-Joon Chang. Philosophy aside, we will continue to work with private capital to forge partnerships that lead to direct investment in the District, unravelling policies and beauraucracy, to the best of our abilities.

The Entity has also strengthened its working arrangements with Trade & Investment KwaZulu Natal and KZN Department of Economic Development, specifically to advance our trade and investment promotion campaign. This work seeks to shape and exploit the opportunities of the Special Economic Zones, in the areas of renewable energy and supplier development for localisation in the State Owned Enterprises' build programme.

The Board, in its second year of the two year term, has performed exceptionally in achieving the above stated achievements. Pressured by the demands, in terms of administrative compliance, of an Entity with significant amount of activity on the ground, a lot of Board attention was directed to Management performance in this area. This is evidenced in the number of internal structural changes and additions, especially in the area of finance, audit, risk and compliance. In line with the vision set by the Mayor of the District, which is obtaining a clean audit for the district, we have had to pull our weight to ensure that this important millionestone is achieved and we confident that the Board has exercised its oversight responsibility well in this area.

The Entity, though will report expenditure defined as irregular in terms of the Municipal Finance Management Act, undertook this, sanctioned by the Board on the basis of well considered and reported decisions aimed at fast tracking delivery and positive expenditure performance. The financial position of the Entity remains positive, with the second round of the LED projects coming on stream, coupled with the last two rounds of IDC funding.

The future financial sustainability of the Entity, as desired in its establishment, remains a risk. This is due to the less desirable and over ambitious plan that the Entity be charged with the responsibility of driving economic development in the area with alarming poverty and

unemployment levels, while expected to develop its own cash generating ventures to ensure its sustainability. The Board shall continue engaging with the Shareholder and funding partners on this issue, as it is bound to sidetrack focus way from economic development sustainability to a profit driven approach.

The Board also saw an introduction of three new Board members mid-year, which has worked well in the succession planning of the Board. The new members bring valuable expertise in the area of economic development and business & trade promotion, drawn from their extensive collective experience in the private and public sector companies.

iLembe District Municipality, as the shareholder of Enterprise iLembe, has been exceptional in attracting quality Board members, which is a contributory factor to the good performance recorded in the year under review and preceding years.

In an environment where South Africa is debating the issue of Leadership and with reports that other like Agencies have faltered, due to absence of leadership and political instability in the structures of those Municipalities, Enterprise iLembe has been spurred. We remain indebted to the leadership of the District Municipality, led by Mayor Mdabe. We also remain appreciative of the political stability provided by the ruling party in the District, and the renewed political direction that seeks to prioritize youth employment and entrepreneurship in the District. The Board shall continue to implement well researched strategies to advance the desires of the electorate and the broader citizens of iLembe District Municipality.

The Management capacity of the Entity, though now structurally matured, has seen some changes in the year under review. In the third and last quarter, we saw the departure of both the Chief Executive and Chief Financial Officer. For an Entity of this size and age, the Board is pleased that such critical staff movement did not result in an organisational collapse. This can be attributed to the collective work of the Board, in ensuring that the institutional structures are in place and the departed executives, for their work in the achievements of the Entity to date. On behalf of the Board and the District Municipality, we wish them well in their future endeavours.

The Board is working tirelessly, in consultation with the Shareholder, in ensuring the executive replacements process is both rigorous and swift. The organisation is certainly different to that of three years ago, it therefore becomes critical to recruit executives with capacity to take Enterprise iLembe to the next level, especially in the area of Trade and Investment promotion and entrepreneurship development.

Developing strong, efficient and fully integrated working arrangements with the Local Municipalities within the District, remains an important priority for the Entity and the Board is working hard to ensure that this is delivered within the year coming.

Sadly, this also marks my last annual review commentary on the Entity that has been a part of my life for past four years. My departure before the end of the Board term least represents my affection for the Team, the Work and the District. In many ways, I depart with reasoned gratification, in that though we have achieved a great deal, a great deal still needs to be done. I have all the confidence in the Leadership of Mr Bongani Linda as the new Chairperson, and the rest of the Board, and I wish them well in steering Enterprise iLembe to even greater heights.

On behalf of the Board, I want to express my appreciation to the Council of iLembe District, led by His Worship Mayor Mdabe, for their confidence and support in the past year. To every staff member of the esteemed Enterprise iLembe team, imisebenzi iyabonakala, nime njalo and thank you for playing your part.

To the citizens of iLembe District Municipality, it is an expressed desire of the Board of Enterprise iLembe to deliver a better performance in the 2012/13 period. I want to personally thank you for your support and confidence in this organisation, I depart this organisation, with visuals of a much improved area to do business in, live, work and play. Indeed, together, people can do more.

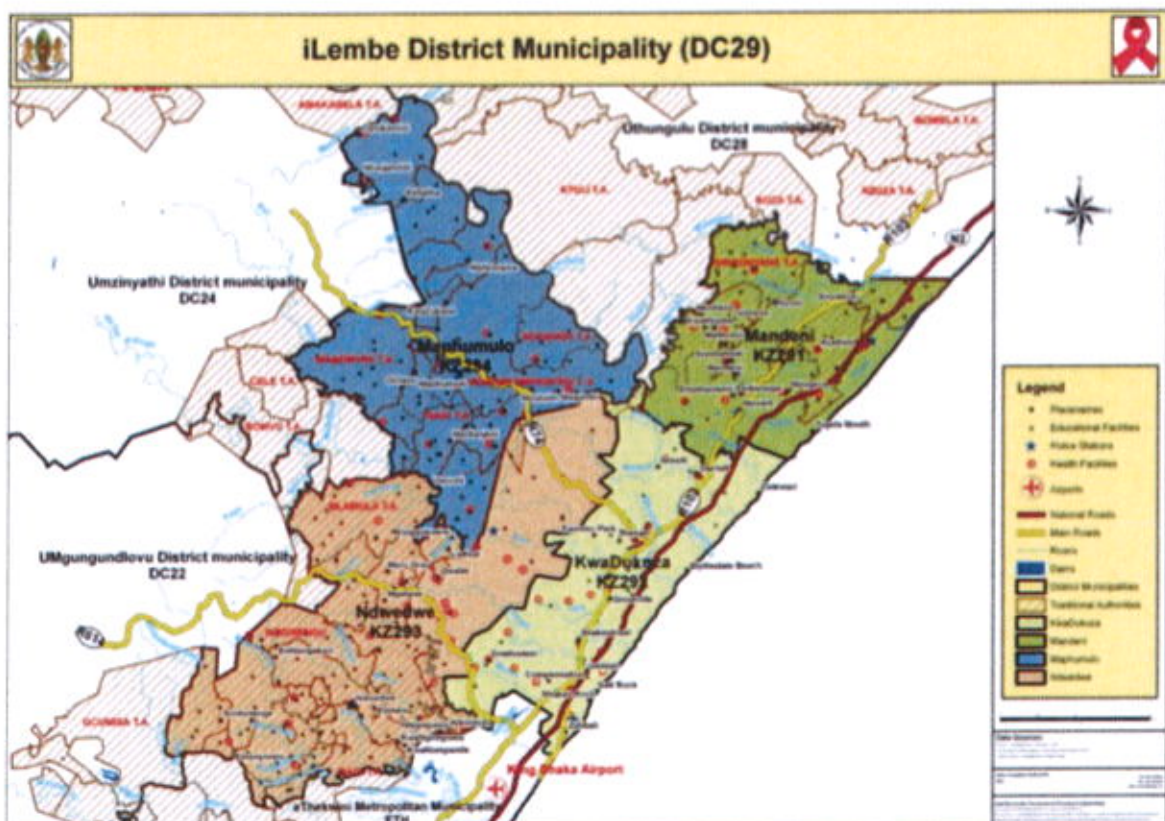


Mlu C. Mancini
Outgoing Chairman

1.2. OVERVIEW OF ILEMBE DISTRICT MUNICIPALITY

The iLembe District Municipality is situated on the East Coast of South Africa in the Province of KwaZulu Natal. iLembe District is bordered by eThekweni Metro in the South and linked to Uthungulu District in the north by the coastal highway, which is a key corridor in the region. It is located between Africa's busiest ports of Richards Bay and Durban and is in close proximity to the King Shaka International Airport and the Dube Tradeport. It is the smallest District Municipality in the province with a total population of approximately 563 000. The municipality covers 3260 square kilometres and is divided into four local municipalities:

- Maphumulo Municipality
- Ndwedwe Local Municipality
- KwaDukuza Local Municipality
- Mandeni Local Municipality



1.3. EXECUTIVE SUMMARY

The mandate of Enterprise iLembe remains clear; to drive socio economic development through poverty alleviation and sustainable job creation.

The recently completed Spatial & Economic Development Strategy for the region considers both the Low & High Road scenarios in the long term. Whilst both scenarios could be very possible one way or another we are confident the region is extremely well placed for upwards economic growth.

There is a strong positive sentiment from the business sector for new direct investment into the region, creating pressure to deliver on serviced commercial sites for occupation, as well as on the upgrade of existing infrastructure to accommodate the new demands. This is an exciting time for the region as a whole, with the Provincial Growth and Development Strategy for the Province of KwaZulu Natal, as approved by Cabinet in the last quarter of 2011, clearly indicating that the northern corridor will become the focus of economic growth over the next 20 years and beyond. This bodes extremely well for the district, which will again experience unprecedented growth once the worldwide economy manages to find itself on better footing to allow for growth to occur once again.

The key economic drivers in the district are still consistent in the sectors of agriculture, tourism, manufacturing & services and as a district we strive to continuously bridge the huge divide between the first and second economies through the identification, facilitation and implementation of catalytic and high impact projects.

The Entity will continue to play a pivotal role in initiating and facilitating programmes and projects to address governments mandate of poverty alleviation and sustainable job creation.

1.4. OBJECTIVES AND FUNCTIONS OF ENTERPRISE ILEMBE

Objectives

Enterprise iLembe was established primarily to drive Economic Development in the iLembe District and to promote trade and investment in the region.

The following are key strategic objectives of Enterprise iLembe;

- Facilitate research that assists with Policy Development and formulation that impacts the mandate of the Entity
- Influence policy and the regulatory environment for socio economic development and investment.
- Identify, build and co-ordinate partnerships among socio economic stakeholders
- Facilitate the packaging promotion of projects within the targeted sectors
- Market and promote the region as an Investment & Tourism Destination
- Develop and implement a comprehensive self-sustainable model for economic development
- To build efficient capacity to provide appropriate technical support and skills transfer to the shareholder.
- To bridge the gap between the 1st and 2nd Economies within the District.

Functions

Key **functions** of the Entity presently include:

- Developing and strengthening the local economic development strategy on behalf of the district and family of local municipalities;
- Championing a wide range of activities which emerge as important from the family of IDP's and LED strategies;
- Coordinate activities to ensure the alignment and integration of socio economic effects.
- Destination Marketing & Investment Promotion
- Facilitating the identification, packaging and implementation of catalytic projects
- Provide a professional and multi-skilled support and networking service to major investors who wish to invest in the region.
- Working with local government to facilitate a business enabling environment;
- Establish a research unit to develop and maintain a regional socio – economic and investor database with competitive advantages
- Provide a "turn-key" service to investors who wish to relocate and invest in iLembe
- Implement Business, Retention & Expansion (BR&E) programmes
- Build twinning relationships with developed regions nationally and internationally.

Operational Principles

The Council and Board of Directors of Enterprise iLembe have set out the following **operational principles** for the organisation:

- Bring the poor and previously disadvantaged to the centre of economic development
- Develop strategies to minimize the gap between the 2nd and 1st Economy
- Build a synergistic relationship between Local Economic Development and Social Upliftment.
- Build linkages between the established coastal economies and historically marginalised rural areas.
- Build a culture of Social, Economic & Environmental inter-dependency as the first test when evaluating opportunities. (i.e. triple bottom line)
- Focus LED around realistic catalytic initiatives natural to the region and wherever possible building on the uniqueness of the local competitive advantages and market differentiation.
- Building capacity to nurture effective and mutually beneficial partnerships based on fair and equitable business principles.
- Ability to leverage Black Economic Empowerment (BEE) as measured by direct or potential equity and not only new jobs created.

1.5. AUDIT COMMITTEE REPORT

The Enterprise iLembe Audit Committee presents its report to the Board for the year ended 30 June 2012, below.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and the Companies Act, No. 71 of 2008 (Section 94).

Audit Committee members and attendance at meetings

The Audit Committee comprised of 5 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter. Additional meetings may be called for as the need arises. Members' attendance at the meetings is listed below:

Name	No of Meetings Attended	15 Aug 2011	29 Aug 2011	07 Dec 2011	15 Dec 2011	27 Jan 2012	30 Mar 2012	01 Jun 2012
Mrs. C Jugnarayan (Chairperson)	7	✓	✓	✓	✓	✓	✓	✓
Mr. D Bosch (Deputy Chairperson)	7	✓	✓	✓	✓	✓	✓	✓
Mr. J Muir	6	✓	✓	✓		✓	✓	✓
Mr. S Nel	3			✓	✓		✓	
Mr. SE Sithole	4	✓	✓	✓	✓			

* Mr. SE Sithole resigned from the Audit Committee with effect from 21 August 2012

The Mayor of the Municipality, the Chairperson of the Board and the Chairperson of the Municipal Public Accounts Committee are invited to the Audit Committee meetings.

Audit Committee responsibility

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter approved by the Council of the iLembe District Municipality and the Board of Enterprise iLembe.

Section 121(4)(g) of the Municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include any recommendations of the Municipality's Audit Committee

In the conduct of its duties, the Audit Committee has performed the following statutory duties:

1. Reviewed internal financial control and internal audits

The internal audit function was operational for the financial year.

The internal audit services of Ngubane and Co were retained for the first quarter of 2011/2012.

The internal audit services went out to tender in October 2011 and KPMG were successfully

appointed as the internal audit service provider for a period of two years commencing 1 October 2011.

The internal audit plan for the financial year ending 30 June 2012 was circulated to the members of the Audit Committee via email on 5 March 2012 and approved by the Committee members.

Twelve internal audit reports were completed and tabled at the Audit Committee meetings. Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the processes in place, internal audit conducts follow up audits on previously reported internal audit findings and reports progress to senior management and the Audit Committee.

Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

2. Risk Management

The Entity conducted a risk assessment workshop in May 2012 and the top key risks were identified, measured and prioritised. The risk officer has taken ownership of the risk register. The Entity is part of the Municipality's Risk Management Committee and the Risk Management Committee reports to the Audit Committee on a quarterly basis.

3. Review of financial statements and Accounting Policies.

The Audit Committee, during its review of the financial statements for the year ended 30 June 2012, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP).

The Audit Committee satisfied that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act and GRAP and, pending certain adjustments be made has approved the annual financial statements for submission to the Auditor-General.

4. The adequacy, reliability and accuracy of financial reporting and information

No information furnished by Internal Audit, the Auditor-General and Management itself, that has caused the Audit Committee to believe that the Entity's system of internal financial control is not effective and does not form a basis for the preparation of reliable financial statements.

5. Performance Management

The Audit Committee also serves as the performance Audit Committee for Enterprise iLembe.

The Audit Committee reviewed the four quarterly performance reports and the internal audit reports on performance management for 2011/2012 based on the Entity's scorecard.

The Audit Committee is pleased to note that the overall internal audit ratings of the effectiveness of internal controls around performance management is satisfactory and controls are in place to provide management with reasonable assurance that risks will not materialize but there is a room for improvement.

6. Effective Governance

The Audit Committee has satisfied itself that the external auditor was independent of the Entity, as required by the Public Audit Act, No. 25 of 2004 and as set out in section 94(8) of the Companies Act, 2008.

The Audit Committee fulfils an oversight role regarding the Entity's reporting process, including the system of internal financial control. It is responsible for ensuring that the Entity's internal audit function is independent and has the necessary resources, standing and authority within the Entity to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between The Board and these functions. The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

7. Compliance with Legislation and Ethics

The Audit Committee has noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations. The areas of non-compliance have been noted, mainly through the reports submitted by internal audit. The non-compliance and recommendations to management have been documented in the internal audit reports. In these internal audit reports, Management have provided comments on the findings, recommendations and timing of the action thereof.

Recommendations

- The Board should ensure that a proper, fully capacitated and competent internal audit function is in place.
- The Board should appoint a procurement officer to assist with the compliance of SCM processes.
- Management should ensure that accurate, reliable and complete financial and performance information is submitted monthly for review by the Board.
- Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely.

Conclusion

The Audit Committee is of the opinion that in addition to the recommendations to The Board, Management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by Internal Audit, the Auditor-General and Senior Management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring.

On behalf of the Audit Committee



Mrs. Charmaine Jugnarayan

Chairperson
29 August 2012

CHAPTER 2: SERVICE DELIVERY AND PERFORMANCE TARGETS

2.1. KEY SUCCESSSES AND CHALLENGES

The 2011/2012 financial year has certainly been a challenging year for Enterprise iLembe in terms of ensuring that the mandate of driving economic development in the region met with tangible and visible results.

The high levels of unemployment, access to finance by SMME's, skills migration, capacity constraints and the slow pace of transformation continues to pose a challenge in the district.

Agriculture as a key economic driver in the district has seen a decline as the number one job creator to number 6 within a period of 10 years. Both the manufacturing and agricultural sectors have declined over the previous 5 years by 4 100 and 17 400 jobs respectively. The majority of job gains over the previous 5 years were in the finance, insurance, real estate and business services sectors and the government and community services sectors.

There were key resignations in the 2011/2012 financial year, which impacted, in the seam-less continuity of business.

The iLembe Agri-hubs project was designed to empower communities in hydroponic farming and has now developed into sustainable commercial agricultural enterprise with supply contracts to sustain them for a few years and to date has created 159 direct and indirect jobs.

The iLembe Vineyards & Winery – which is a wine production venture, intended to introduce support industries (packaging, bottling, etc.). Again consistent with the idea of advancing Trade & Investment promotion, centered on maximizing community impact, to date has created 60 direct jobs.

Biodiesel/Moringa – which is a biodiesel production venture anchored on the Moringa plantations and co-operative development, it has other health product prospects and to date supports 94 jobs through co-operatives.




The iLembe Open Farms Project – is an initiative supporting local farmers to move from subsistence farming into the small commercial business space, to date is supporting over 500 jobs through co-operatives.



Additional key partnerships were formed with various stakeholders through MOU's and Agreements in order to leverage off opportunities, these include; Agri-Business Development Entity (ADA), Proudly South African and the Zulu Coast Film Office.

The recent KZN Provincial Growth & Development Strategy identified the need for all District Municipalities to establish development agencies; this was influenced by Enterprise iLembe, who will be used as a benchmark.

2.2. PROJECTS UNDERTAKEN IN 2011/2012

FUNDED PROJECTS

MULTI-YEAR PROJECTS	Project Description & Status Quo
<p>1. Agri-Hubs Phase 1 & 2</p> 	<p>Budget Allocation 2011/2012 – R5 855 000 Expenditure as at 30/06/2012 – R6 948 000 Project Funder/s: DCOGTA</p> <p>The project involves the establishment of initially 4 hydroponic tunnels (phase 1) and eventually 8 hydroponic tunnels each located within the 4 Local Municipalities of iLembe. The ultimate objective is to supply high quality vegetables for the national and international markets through the Dube Tradeport. To date all 8 tunnels have been constructed with 5 tunnels planted with a variety of crop ranging from tomatoes to Israel cucumbers. The Special Purpose Vehicle for ownership and operations of the project is in the process of being finalised. To date a total of 159 jobs have been created, the majority of these being women and youth.</p>
<p>2. iLembe Vineyards and Winery Project</p> 	<p>Budget Allocation 2011/2012 – R8 442 000 Expenditure as at 30/06/2012 – R5 160 000 Project Funder/s: DCOGTA</p> <p>This project involves the establishment of a primary Villard blanc crop that will be grown as a catalyst to the establishment of a wine industry in the district. A total of 10.1 vines have been planted across Mandeni, Maphumulo and Ndwedwe. Harvesting of the first grapes is anticipated to take place in February 2013. The site for the Winery was identified at Collisheen Estate in KwaDukuza Municipality; construction of the Winery has commenced with expected completion September 2012. A total of 70 temporary jobs and 50 permanent jobs have been created, the bulk of these again being female and youth. A special purpose vehicle is in the process of being finalised for ownership and operations of the project.</p>
<p>3. iLembe Open Farms</p> 	<p>Budget Allocation 2011/2012 – R1 600 000 Expenditure as at 30/06/2012 – R1 838 000 Project Funder/s: iLembe District Municipality</p> <p>The project entails establishing and supporting community-based co-operatives to operate viable agricultural gardens, which produce vegetables and other cash crops for both community needs and for sale in the open markets. Eighteen farms were supported in this financial year. Market linkages have been established with the Durban Fresh Produce Market as well as the Food Lovers Market.</p>

<p>4. Nonoti Resort</p> 	<p>Budget Allocation 2011/2012 – R1 049 000 Expenditure as at 30/06/2012 – R877 000 Project Funder/s: DCOGTA</p> <p>This project entails the establishment of a beach resort at Nonoti Beach. The project is still at planning stage and the business plan has been finalised. An Environmental Management Framework is currently in progress. The Final Precinct Plans for the SEMP is due for completion in October 2012.</p>
<p>5. Biodiesel & Moringa Plantations</p>  	<p>Budget in 2011/2012 – R6 547 000 Expenditure as at 30/06/2012 - R6 038 000 Project Funder/s: DCOGTA</p> <p>The project involves the establishment and commissioning of a bio-diesel production facility. The fuel output will be marketed commercially to the general public. Moringa tree plantation will provide feedstock to the Plant. The Moringa tree plantations Project is now completed, with moringa being planted within three Local Municipalities (Ndwedwe, Maphumulo and Mandeni) on total of 90 hectares. One co operative has been established and another 3 cooperatives are in the final stages of registration with 94 jobs being created. The appointment of a technical partner as well as the establishment of a special purpose vehicle to operate the facility has not yet been finalised. The SPV once established will also own the facility in conjunction with the community.</p>
<p>6. Broadband Phase 2</p> 	<p>Budget in 2011/2012 – R2 369 000 Expenditure as at 30/06/2012 – R2 222 000 Project Funder/s: DCOGTA</p> <p>This project involves broadband connectivity between the Disaster Management Centre in Pietermaritzburg and iLembe.</p>

NEW PROJECTS 2011/2012	Project Description & Status Quo
1. King Shaka Tourism Route Concept, Business & Implementation Plans.	<p><i>Budget Allocation 2011/2012 – R500 000</i> <i>Expenditure as at 30/06/2012 – R439 000</i> <i>Project Funder/s: IDC</i></p> <p><i>This project involves the development of a tourism route incorporating the many offerings of the iLembe region.</i></p> <p><i>The King Shaka Tourism/Heritage Route was first initiated in 2001 through the iLembe Job Creation Model to enable tourists to follow in the footsteps of the greatest Zulu King, King Shaka. The development of the route was intended as a short-term initiative, which could act as a catalyst for future development within the region, the study would now seek to incorporate the many other tourism offerings in the region and allow for the geographical spread of tourism. Final drafts of the concept, business and implementation plan are now in progress.</i></p>
2. iLembe Packhouse	<p><i>Budget Allocation: 2011/2012 – R500 000</i> <i>Expenditure as at 30/06/2012 – R204 000</i> <i>Project Funder/s: IDC</i></p> <p><i>This project involves the conceptualization and feasibility study as well as a business plan for the establishment of a Packhouse Facility to support the various agricultural activities in the district. Final drafts of the study have been completed and under review.</i></p>
3. Fresh Produce Market Feasibility Study	<p><i>Budget Allocation: 2011/2012 – Nil</i> <i>Expenditure as at 30/06/2012 – R633 000</i> <i>Project Funder/s: DCOGTA</i></p> <p><i>The aim of this project is to conduct a feasibility study that will inform the municipality and Enterprise iLembe of the best suitable location and how best the project can be implemented for support of the agricultural fresh produce market in the District.</i></p>

2.3. CAPITAL USED

Operating Results

Below is a summary of the operating income and expenditure compared with budget for the 2011/12 financial year.

REVENUE	Actual 2012 R	Budget 2012 R	Variance Actual/Budget %
Opening Surplus	14 998 526	-	-
Operating income for the year	34 936 740	39 601 640	(11.8)
Sundry transfers	(152 446)	-	-
Total	49 782 820	39 601 640	
EXPENDITURE			
Operating expenditure for the year	25 772 798	19 891 931	29.6
Closing surplus	24 010 022	-	-
Total	49 782 820	19 891 931	

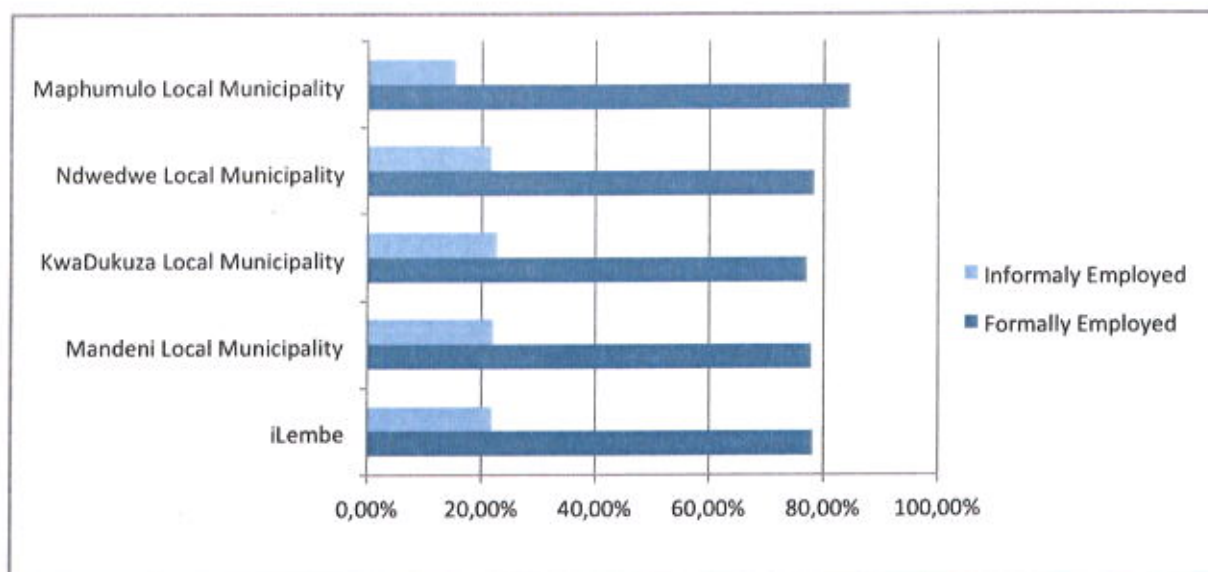
The over expenditure when compared with budget is due to the fact that R6.7 million of project expenditure, which was budgeted for under the capital budget, was reclassified as operating expenditure in terms of the accounting standards.

In the 2011/2012 financial year R25.2 million was spent on projects. Details set out below.

R' 000					
Capital Projects	2011/12				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
					1 049 000
Nonoti Beach	49	1 049	877	94%	
Broadband	2 369	2 369	2 222	-7%	2 369 000
Open Fields	1 600	1 600	1 838	13%	1 600 000
Agri Processing Hubs	5 855	5 855	6 948	16%	21 000 000
Vineyards & Winery	11 347	8 442	5 160	-120%	18 000 000
Bio-Diesel	2 635	2 635	3 012	13%	7 400 000
Moringa Plantations	3 912	3 912	3 026	-29%	4 000 000
Tourism	900	900	900	0%	900 000
Fresh Produce Market	0	0	633	100%	633 000
Pack House	500	500	204	-145%	500 000
Incentive Strategy	300	300	526	43%	1500 000
King Shaka Tourism Route	500	500	439	-14%	500 000
Container Project	0	0	213	100%	213 000

2.4. JOB CREATION & SKILLS DEVELOPMENT

TABLE 1: INFORMAL & FORMAL EMPLOYMENT



Source: Urban-Econ Estimates based on Quantec's Standardised Regional Dataset

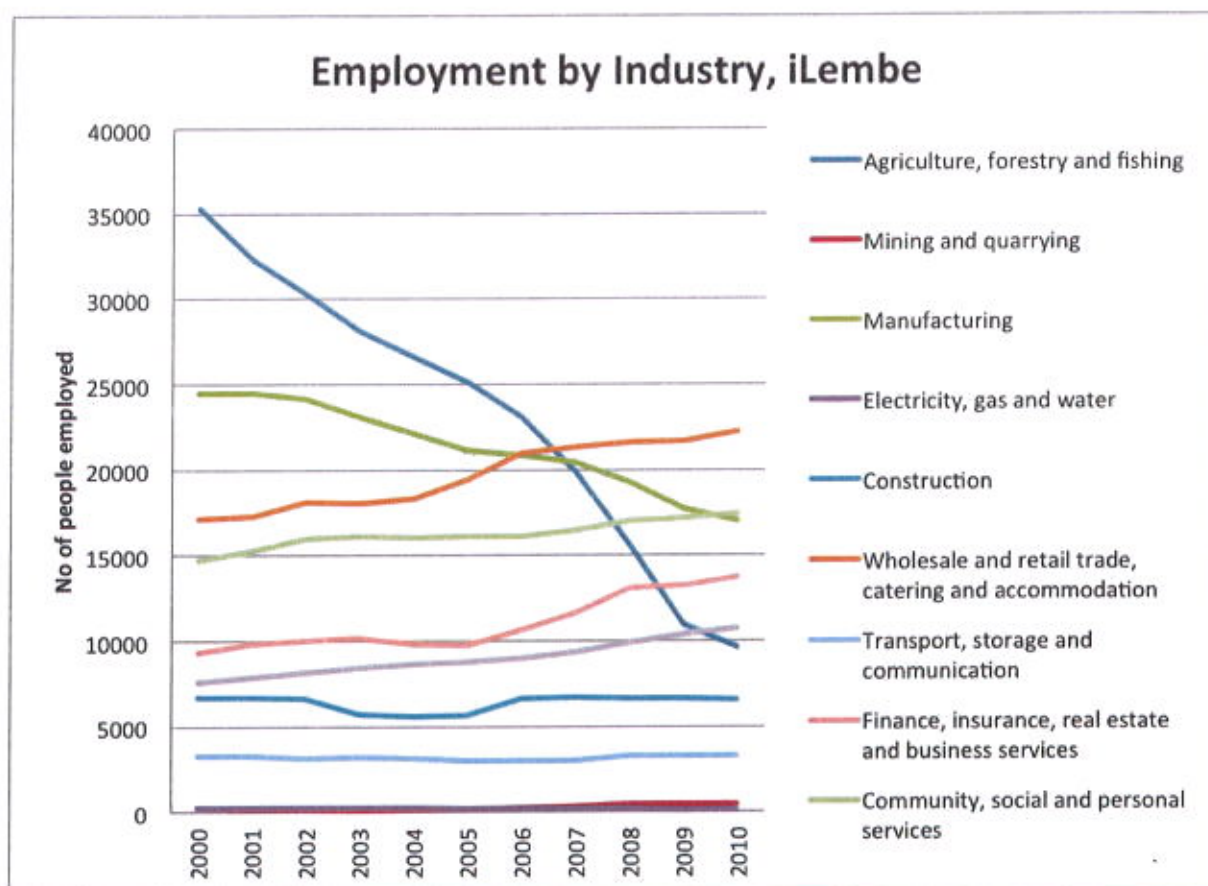
In terms of growth in employment, it is important to note that the annualised average growth rate of approximately -1.7%. An interesting observation is that KwaDukuza, although having the largest percentage of employment in the district has experienced a -2.85% average annual decline. Maphumulo on the other hand, although experiencing the lowest employment rates, has achieved the greatest average annual employment growth in the district of 3.25%.

The table below shows the unemployment rates for iLembe and the local municipalities. iLembe has an unemployment rate of 22.4%, which is average for the province and the country. KwaDukuza has the lowest unemployment rate at 16% and Maphumulo has the highest unemployment rate at 30.3%.

TABLE 2: UNEMPLOYMENT RATE, 2010

	iLembe	Mandeni Local Municipality	KwaDukuza Local Municipality	Ndwedwe Local Municipality	Maphumulo Local Municipality
Unemployment Rate	22.4%	27.5%	16.1%	30.3%	21.5%

TABLE 3: EMPLOYMENT BY SECTOR



The wholesale, retail, catering and accommodation sector is the largest contributing sector to employment in iLembe, accounting for approximately 22% of total employment. This same sector contributes 25%, 23%, and 19% to total employment in Mandeni, KwaDukuza and Ndwedwe respectively. The sector has grown at an average annual rate of 2.6% since 2000, indicating the strength of the sector. KwaDukuza is the economic hub of the district and possesses most of the formal retail, wholesale and accommodation facilities within the district, and therefore is the largest contributing municipality with about 11 271 people employed in the sector. Manufacturing is another significant sector within the district, and creates approximately 17 017 jobs which comprise 16.8% of total employment in the district. This has predominately been driven by activities within the Mandeni and KwaDukuza local municipalities, both which have a substantial industrial capacity, contributing 26.5% and 15.6% to total employment respectively.

Key Findings: Employment Indicators

- Over 60% of the district population fall within the working age bracket (16 – 65 years);
- Only 28% of the working age population are employed in iLembe, with over 63% being not economically-active;
- 'Manufacturing'; 'wholesale and retail, catering and accommodation'; 'finance, insurance, real estate and business services'; and 'community, social and personal services' contribute almost 70% to those formally employed;
- The location quotient for iLembe is less than 1 for all industries except Agriculture and Manufacturing which shows that these are areas of comparative advantage.
- The shift-share analysis for iLembe further exacerbates that iLembe enjoys a comparative advantage in Agriculture and Manufacturing.

TABLE 4: PROJECTS JOB CREATION & RETENTION

Project Name	No of Jobs
iLembe Agri Hubs	159
iLembe Vineyards	60
iLembe Open Fields	529

2.5. PERFORMANCE MANAGEMENT

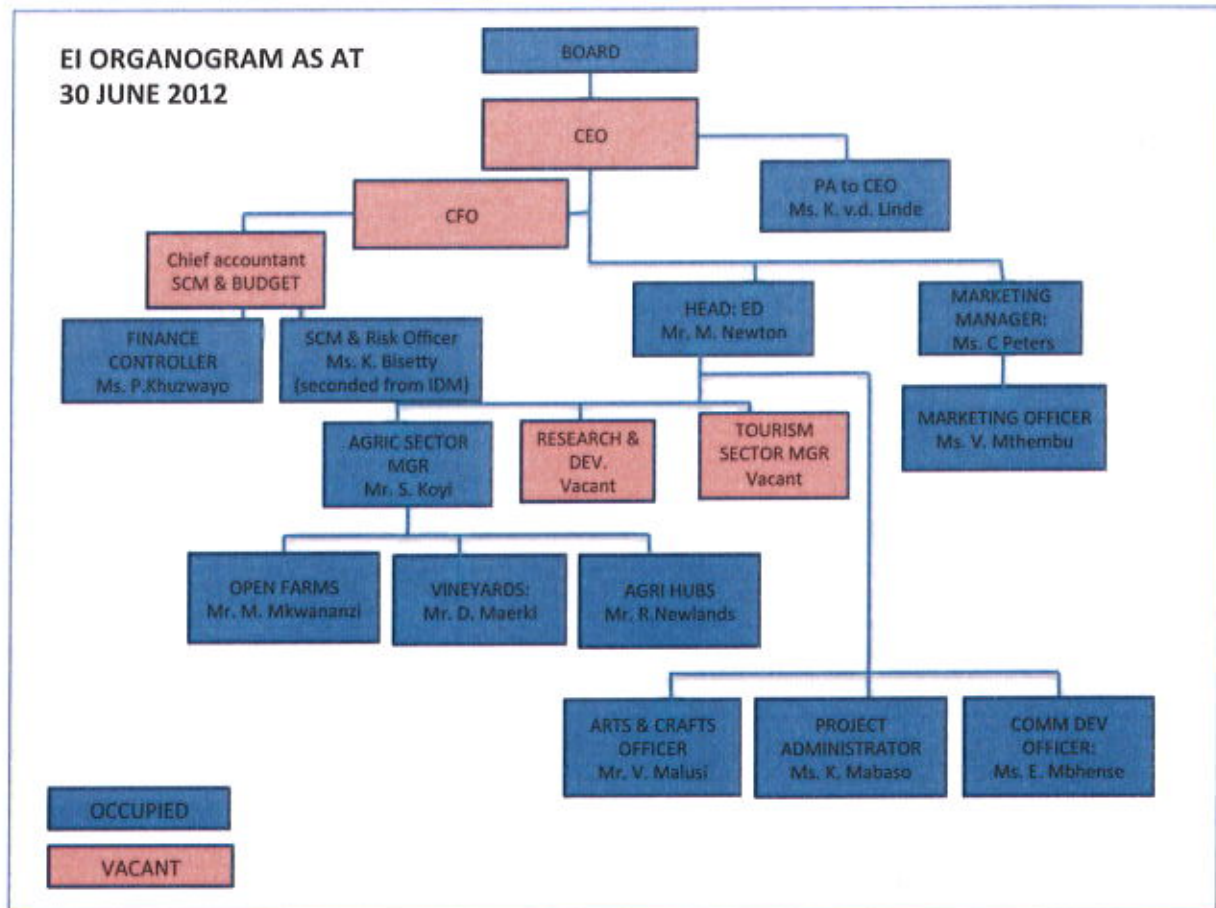
The Entity utilises the Service Delivery Budget implementation Plan (SDBIP) as a performance management tool for the Entity itself. Reporting on this tool was done on a quarterly basis to the shareholder, iLembe District Municipality and includes Portfolio Of Evidence per quarter. The Performance Management Unit conducted a review of the report; this was then followed with coaching sessions held with the CEO of the Entity.

In respect of individual staff members, the Job Descriptions of employees have been reviewed to be in line with the actual tasks and duties being performed by each person. A pilot individual Performance Development Plan was introduced for each employee in 2011/2012 and will be fully implemented in 2012/2013.

Enterprise iLembe was allocated a budget of R43.6million of which R19.9million was for operational costs and R23.7million was for projects. Of the total budget allocation, a total of R38.9million was spent of which R25.8million was spent on operational costs and R13.1million on projects. The majority of the grant funding allocated to Enterprise iLembe was spent and R6million remained unspent as at 30 June 2012.

CHAPTER 3: HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

3.1. ORGANISATIONAL STRUCTURE AS AT 30 JUNE 2012



VACANCIES & RESIGNATIONS

The following personnel resigned within the 2011/2012 Financial Year:

- Mr. Linda Africa (CFO) in November 2011
- Ms. Kanyi Gasa (CEO) in March 2012
- Mr. Dumezweni Mncwabe (CFO) in June 2012

3.2. INSTITUTIONAL TRANSFORMATION & EMPLOYMENT EQUITY

In compliance with the Employment Equity Act, 55/1998, the Enterprise iLembe's Employment Equity Plan has been crafted with the aim to remedy any form of discrimination in the workplace by removing all barriers in the employment policies, practises.

Affirmative Action has been defined as the tool to implement immediate positive remedial action.

Programmes and procedures to address both historic and existing inequalities and imbalances of the past are being implemented.

The Entity acknowledges the value of retaining staff especially employees with scarce skills and those who possess experience that is required for the Entity to fulfil its objectives.

The Entity recognises that in order for it to be able to retain staff, it is very important to create an environment that encourages staff not only to succeed in their jobs but also to grow and achieve their personal development goals and aspirations. To this end regular strategic and team building sessions are held with staff members.

CHAPTER 4: AUDITED STATEMENTS & RELATED FINANCIAL INFORMATION

4.1. FINANCIAL STATEMENTS & RELATED INFORMATION

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
GENERAL INFORMATION

REGISTRATION NUMBER:

2006/032665/07

EXTERNAL AUDITORS:

Auditor General

BANKERS:

ABSA

POSTAL ADDRESS:

P O Box 593

Ballito

4420

PHYSICAL ADDRESS:

Sangweni Tourism Centre

Cnr. Ballito Drive and Link Road

Ballito

TELEPHONE:

032-9461256

FAX:

032-9463515

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors acknowledge that they are required by the Companies Act to prepare financial statements each year, that fairly present the state of affairs, result and cash flow for the year and that the independent auditors' responsibility is limited to reporting on the financial statements.

It is the responsibility of the directors to ensure that the organisation maintains a system of internal control designed to provide reasonable assurance that the entity's assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded. The control system includes written accounting and control policies and procedures and clearly drawn lines of accountability and delegation of authority.

All employees are required to maintain the highest ethical and integrity standards in ensuring that the entity's business practices are concluded in a manner, which in all reasonable circumstances, is above reproach. The concept of reasonable assurance recognises that the control procedures should not exceed the expected benefits. The entity maintains its internal control system through management review. Nothing has come to the attention of the directors to indicate any breakdown in the functions of these internal controls during the year, which resulted in any material loss to the entity.

The annual financial statements have been prepared on the going concern basis. The Board of Directors has adopted this basis of accounting after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Directors have no reason to believe that the entity will not continue as a going concern in the year ahead. The annual financial statements were submitted to the Auditor General for auditing on 31 August 2012. The annual financial statements will be submitted to the Board of Directors at their meeting on 3 September 2012 and are signed by:



Mr. B N Linda
Chairperson 31 August 2012

4.2. REPORT OF THE AUDITOR-GENERAL

REPORT ON THE FINANCIAL STATEMENTS

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL OF ILEMBE DISTRICT MUNICIPALITY ON THE ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

Introduction

1. I have audited the financial statements of the iLembe Management Development Enterprise (Pty) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and notes comprising, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages xx to xx.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the iLembe Management Development Enterprise (Pty) Ltd as at 30 June 2012 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and Companies Act.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of iLembe Management Development Enterprise (Pty) Ltd at, and for the year ended, 30 June 2011.

Irregular expenditure

9. As disclosed in note 22 to the financial statements, irregular expenditure amounting to R27, 313million was incurred during the year, as a result of contracts awarded to suppliers in contravention of the Local Government: Municipal Supply Chain Management Regulations (GNR of 30 May 2005) (Municipal SCM Regulations).

Significant transactions

Agricultural hubs

10. As disclosed in note 33 to the financial statements, the municipal Entity has entered into an agreement with effect from 01 October 2012 with a service provider, for the operations of the iLembe Agri-hub projects.

Special purpose vehicles

11. As disclosed in note 31 to the financial statements, the municipal Entity is currently negotiating with the funding organisations, of the constructed projects, to transfer the following projects into special purposes vehicles (SPVs):

- Agri Processing Hubs
- Bio Diesel

- North Coast Vineyards
- Winery
- Moringa Plantations

In anticipation of the transfer of assets three companies have been registered. To date, due to the assets having not been transferred to the SPVs, the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into a bank account.

Additional matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Supplementary information

13. The supplementary information set out on pages XX - XX does not form part of the financial statements and was presented as additional information. I have not audited the schedules and accordingly I do not express an opinion thereon.

Other reports required by the Companies Act

14. As part of my audit of the financial statements for the year ended 30 June 2012, I have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. Well-defined, verifiable, specific, measurable and time bound) and relevant

as required by the *National Treasury Framework for managing programme performance information*.

18. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
19. There were no material findings on the report on predetermined objectives, as set out on pages xx to xx.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the municipal Entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property plant and equipment, grant expenditure and depreciation identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

22. Goods and services with a transaction value of below R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of Municipal SCM Regulation 17(a) & (c).
23. Awards were made to providers who are persons in service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions, in contravention with section 44 of Municipal SCM Regulations.
24. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by regulation 19(a) of Municipal SCM Regulations.

Expenditure management

25. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that

resulted in findings on compliance with laws and regulations included in this report.

Financial and performance management

27. Management has not implemented adequate controls to ensure that the financial statements are prepared in accordance with the Standards of GRAP and are supported by accurate and reliable evidence, as material misstatements identified were corrected in the financial statements during the audit.
28. Management did not implement adequate controls over procurement of goods and services to ensure that they complied with the requirements of the Municipal SCM Regulations and the MFMA.

Auditor-General

Pietermaritzburg

30 November 2012



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence

NOTE: Page numbers will be inserted into final published document.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD REPORT

In terms of section 30(3) of the Companies Act, 2008, the following report is submitted for the year ended 30 June 2012.

GENERAL REVIEW

The entity was incorporated on 27 October 2008 and replaced the ILembe Development Foundation, which was incorporated on 8 November 2002 and commenced business operations on 1 July 2006. The change was necessary to comply with Section 93 of the Municipal Systems Act. Subject to this there has been no material change in the nature or conduct of the entity's business during the period under review. The financial statements adequately disclose the results of the operations for the period under review and the state of the entity's affairs at 30 June 2012.

There has been no material fact or occurrence since the end of the period under review on which we consider it necessary to report.

NATURE OF BUSINESS

The entity has been formed as a local development agency of the ILembe District Municipality to promote economic growth.

The entity was formed in terms of the Municipal Systems Act and Municipal Finance Management Act.

SHARE CAPITAL

Issued share capital 100 shares at the value of R1.00 each.

DIVIDENDS

No dividends have been proposed or declared during the year under review, nor are any recommended.

LIST OF DIRECTORS

C M Mancini - Chairperson

B N Linda

I Deetlefs

P M Mabaso

R Meer

Z S Gumede (wef 1 May 2012)

J Wiltshire (wef 1 May 2012)

B Pityi (wef 1 May 2012)

Fees for attendance at meetings totaling R523 072 (R418 240 in 2011) were paid during the year under review.

Financial Statements attached hereto (and will be included here in the final printed document).

4.3. ACTING CHIEF FINANCIAL OFFICER'S REPORT

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

INTRODUCTION

The financial year ended 30 June 2012 has again been a successful year for the iLembe Management Development Enterprise (Pty) Ltd, trading as Enterprise iLembe.

OPERATING RESULTS

Details of the operating results are included in the financial statements included in this Annual Report. A summary of the results is as follows:

REVENUE	Actual 2012 R	Budget 2012 R	Variance Actual/Budget %
Opening Surplus	14 998 526	-	-
Operating income for the year	34 936 740	39 601 640	(11.8)
Sundry transfers	(152 446)	-	-
Total	49 782 820	39 601 640	
EXPENDITURE			
Operating expenditure for the year	25 772 798	19 891 931	29.6
Closing surplus	24 010 022	-	-
Total	49 782 820	19 891 931	

An amount of R20 367 694 was spent on projects during the 2011/12 financial year as per the following:

Project	Spent 2011/12 R
Broadband	2 222 058
Agri Processing Hubs	6 948 018
Vineyards	1 687 459
Winery	3 471 947
Bio Diesel	3 012 143
Moringa Plantations	3 026 069
TOTAL	20 367 694

One of the challenges facing Enterprise iLembe is the timing of the receipt of grants from the Industrial Development Corporation and the Provincial Department of Co-Operative Government and Traditional Affairs. The grants from the Department of Co-Operative Government and Traditional Affairs are paid via the iLembe District Municipality while the Industrial Development Corporation grant is paid directly to Enterprise iLembe.

It has been very difficult for Enterprise iLembe to plan for the expenditure of the grants due to fact that it was unknown when the grants would be received. This delayed the implementation of the projects as the supply chain management processes were only implemented once the grants had actually been received.

CONDITIONAL GRANTS

Due to the uncertainty as regards the timing of the receipt of the grants alluded to above the following amounts as regards conditional grants were unspent at 30 June 2012:

Grant	Unspent Grant as at 30 June 2012 R
Grant Disaster Management	55 318
Grant North Coast Wine Project Ex DCGTA	2 772 721
Grant Amacambini Dev Project Ex DCGTA	757 666
Grant Integrated Craft Hub	231 252
Siza water Concession	947 858
Maphumulo Small Town Rehabilitation	85 965
Nonoti Beach Resort Business Plan	49 123
Moringa Tree Plantation	12 514
Fresh Produce Market	278 049
RIDS Grant	200 000
IDC Projects Grant	634 902
TOTAL	6 025 368

However the majority of the grant funds allocated to Enterprise iLembe had been spent by 30 June 2012.

ACCUMULATED SURPLUS

The accumulated surplus as at 30 June 2012 was R24 010 022.

CASH AND CASH EQUIVALENTS

As at 30 June 2012 the cash and cash equivalents held by Enterprise iLembe were as follows:

Details	R.
Cash at bank	1 940 739
Petty cash	2 000

TOTAL	1 942 739
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EXPRESSION OF APPRECIATION

Thanks to the Chairman of the Board, Board Members and Acting Chief Executive Officer for their support and assistance. Special appreciation is also given to the Office of the Auditor-General for their support.



MR DAVE GEILS

Acting Chief Financial Officer

4.3. AUDIT ACTION PLAN

No.	Audit Finding	Rating	Unit	Internal Control Deficiency	Action
1	The financial statements submitted for audit were not prepared in all material respects in accordance with the requirements of the MFMA. Material misstatements of property plant and equipment, grant expenditure and depreciation were identified by the auditors and subsequently corrected by management	H	CFO	Management did not take sufficient care to ensure the financial statements given to the Auditor-General on 31 August 2012 were correct in all respects.	In future management will ensure that the financial statements given to the Auditor-General will be correct in all respects.
2	Irregular expenditure amounting to R27, 313 million was incurred during the year, as a result of contracts awarded to suppliers in contravention of the Municipal SCM regulations	H	SCM	SCM Regulations not adhered to.	All requirements of the SCM Regulations to be fully adhered to. Controls to be put in place to ensure irregular expenditure is identified and reported on. Systems to be put in place for the following: Valid tax clearance certificates. Declaration certificates to be verified and retained for record purposes. People in the service of the State to be identified and removed from database of approved prospective service providers. Advertise all requirements over R30 000 and less than R200 000 on website and notice boards. Get updated and compliant database of approved prospective service providers.
3	Non compliance with GRAP in respect of applying the incorrect standard to Projects Under Construction	H	CFO	No detailed review of the annual financial statements was performed	In future management will ensure that the accounting treatment of all assets is in terms of the applicable accounting standards.
4	Board of directors did not investigate reasons for irregular expenditure prior to condonement	H	CFO	Each case of irregular expenditure was not registered and investigated when discovered.	Each case of irregular expenditure should be assessed to determine if the cause for irregular expenditure amounts to financial misconduct or criminal act from the side of responsible official/s

5	Subsequent events-irregular award in the transfer of Agri-hubs	H	CFO	The former Chief Executive Officer and the Board did not ensure that SCM prescripts are adhered to in the appointment of Technical Partner.	CFO and Board to ensure that SCM prescripts are adhered to in the appointment of Technical Partners going forward.
6	Preference points not applied in the evaluation of quotations, tax clearance certificates not provided and three quotations not obtained	H	CFO/SCM	Preference points were not applied in the evaluation of quotations as required by Preferential Procurement Regulations and/or confirmation that suppliers tax matters were in order (tax clearance) was not obtained	Supply Chain Management checklist to be developed and implemented. CFO should perform regular reviews and monitoring of SCM processes.

CHAPTER 5: FUNCTIONAL SERVICE DELIVERY REPORTING

5.1. SERVICE LEVEL AGREEMENT

Enterprise iLembe has a Service Level Agreement with iLembe District Municipality. The SLA guides the mandate of the Entity and sets out the function and services to be delivered as follows,

- 1) Promotion of Social Economic Development
- 2) Tourism
- 3) Markets
- 4) Abattoirs
- 5) Airports
- 6) Incidental Bylaws

The Chief Executive Officer as the Accounting Officer has been mandated by the Board of Enterprise iLembe to report on these functions to iLembe District Municipality. Regular meetings are held with the principals of the District, and the CEO reports into the various structures of Council including the Economic Development Portfolio Committee and Management Meetings. The Shareholder also has ex-officio representation on the Board of Enterprise iLembe.

The Executive Committee of Council resolved on 13 May 2011 to amend the Service Level Agreement to delete the clauses pertaining to Shared Services and Integrated Development Planning, as this function will remain at the District.

CHAPTER 6: 2011/2012 ANNUAL PERFORMANCE REPORT

6.1. SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

Attached hereto as Annexure B

6.2. CONCLUSION

The philosophy that drives Enterprise iLembe is therefore built on global best practice principles in Local Economic Development. "Local Economic Development is a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a tool to help create sustainable jobs and improve the quality of life for everyone, including the poor and marginalized." We think global and act LOCAL.

We need to ensure that our actions create confidence in the communities we serve in order that we pave the way for future leaders to be able to pick up from where others have left off; that there is continuity and accountability for our actions.

Our value statement should therefore always be "Economic Development that will change the lives of our people"

ANNEXURES:

A – Financial Statements for the period 2011/2012

B – Service Delivery Budget Implementation Plan (2011/2012)

Final Draft Submitted by:

ACTING CHIEF EXECUTIVE OFFICER

Z.S. GUMEDE

DATE

Annexure

A

A

**ILEMBE MANAGEMENT DEVELOPMENT
ENTERPRISE (PTY) LTD**

Registration Number: 2006/032665/07

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2012**

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 33, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipal Entity.



Z S GUMEDE
ACTING CHIEF EXECUTIVE OFFICER

2013-01-23

Date

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD

GENERAL INFORMATION

REGISTRATION NUMBER:
2008/032665/07

EXTERNAL AUDITORS:
Auditor General

BANKERS:
ABSA

POSTAL ADDRESS:
P O Box 593
Ballito
4420

PHYSICAL ADDRESS:
Sangweni Tourism Centre
Cnr. Ballito Drive and Link Road
Ballito

TELEPHONE:
032-9461256

FAX:
032-9463515

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Current assets		3 908 548	27 659 677
Other debtors	8	100 775	312 225
Value Added Taxation	3	1 865 034	1 663 018
Current investments	9	-	22 167 237
Bank balances and cash	10	1 942 739	3 517 196
Non-current assets		29 257 622	16 162 749
Property, plant and equipment	4	28 200 845	16 162 749
Biological assets	5	1 038 400	-
Intangible assets	6	18 377	-
Total Assets		33 166 170	43 822 426
LIABILITIES			
Current liabilities		9 156 048	28 823 799
Creditors	1	3 130 680	5 243 289
Unspent conditional grants and receipts	2	6 025 368	23 580 510
Total Liabilities		9 156 048	28 823 799
Net Assets		24,010,122	14,998,626
NET ASSETS			
Accumulated surplus		24 010 022	14 998 526
Share Capital held by Municipality	7	100	100
Total Net Assets		24,010,122	14,998,626

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Rental Income	11	211 248	219 784
Interest on investment	12	874 833	1 277 735
Government grants and subsidies	13	31 319 253	29 671 659
Sale of agricultural produce	14	181 598	-
Other income	15	2 349 808	550
Total Revenue		<u>34 936 740</u>	<u>31 169 728</u>
EXPENDITURE			
Employee related costs	16	6 063 352	2 574 397
Directors Fees	17	523 072	418 240
Depreciation	4,5,6	967 475	433 228
Repairs and maintenance	18	105 997	27 663
General expenses	19	5 748 465	4 525 122
Grant expenses	20	13 487 904	11 954 719
Loss on disposal of asset	4	93 091	-
Less: Recharges	21	(1 216 558)	-
Total Expenditure		<u>25 772 798</u>	<u>19 933 369</u>
SURPLUS FOR THE YEAR		<u><u>9 163 942</u></u>	<u><u>11 236 359</u></u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2012

	Shares	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R.	R
Restated balance at 30 June 2010	100	7,261,390	7 261 490
2010/2011			
Restated Surplus for the year	0	11,236,359	11 236 359
Prior year adjustments	0	-3,499,223	-3,499,223
Balance at 30 June 2011	100	14,998,526	14 998 626
Corrections Prior Year Period - Note 28	0	-523,846	-523,846
Restated Balance	100	14 474 680	14 474 780
Surplus for the year	0	9,163,942	9,163,942
Gain fair value of biological assets		371,400	371,400
Balance at 30 June 2012	100	24 010 022	24 010 122

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		29 226 595	27 377 860
Cash paid to suppliers and employees		<u>(39 688 576)</u>	<u>(6 956 896)</u>
Cash generated from operations	23	(10 461 981)	20 420 964
Interest received		874 833	1 277 734
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u><u>(9 587 148)</u></u>	<u><u>21 698 698</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(14 154 545)	(12 987 794)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u><u>(14 154 545)</u></u>	<u><u>(12 987 794)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(23 741 693)</u>	<u>8 710 904</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25 684 432	16 973 528
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	<u><u>1 942 739</u></u>	<u><u>25 684 432</u></u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1 BASIS OF PREPARATION

1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the historical cost basis.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity. All financial information has been rounded to the nearest Rand.

1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipal entity has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipal entity will continue to operate as a going concern for at least the next 12 months.

1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

1.7 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and principles of GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 25 Employee Benefits - issued November 2009
GRAP 105 Transfer of Functions Between Entities Under Common Control - issued November 2010
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued November 2010
GRAP 107 Mergers - issued November 2010

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipal entity:

GRAP 21 Impairment of Non-cash-generating Assets - effective 01 April 2012
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - effective 01 April 2012
GRAP 24 Presentation of Budget Information in the Financial Statements - effective 01 April 2012
GRAP 26 Impairment of Cash-generating Assets - effective 01 April 2012
GRAP 103 Heritage Assets - effective 01 April 2012
GRAP 104 Financial Instruments - effective 01 April 2012

Nature of impending changes in accounting policy:

GRAP 21 - Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset. The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

GRAP 23 - Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipal entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow.

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

GRAP 24 - The municipal entity is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts is required to be presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipal entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipal entity prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

GRAP 26 - Cash-generating assets are those assets held by the municipal entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipal entity should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipal entity should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

GRAP 103 - Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless it is acquired through a non-exchange transaction, in which case it is recognised at its fair value as at the date of acquisition.

The municipal entity has a choice between the cost and revaluation model as accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at its cost or revalued amount less accumulated impairment. These assets are not depreciated.

GRAP 104 - The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

Impact on the municipal entity's financial statements once these standards of GRAP are implemented:

GRAP 21 - No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 23 - GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will only be recognised if restrictions exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those restrictions, while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

GRAP 24 - Although the municipal entity currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

GRAP 26 - No material impact is expected. The requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets.

GRAP 103 - The municipal entity does not own significant heritage assets and the standard is therefore not expected to have a significant impact on assets.

GRAP 104 - The categorisation of financial instruments will be simplified. Certain financial instruments may be reclassified from the IAS 39 categories and measured at amortised cost rather than fair value or vice versa.

No material impact is expected on the measurement of financial instruments as the measurement basis of the municipal entity's financial instruments is expected to remain unchanged (ie, at amortised cost and at fair value).

2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2, been applied.

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipal entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipal entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipal entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipal entity will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The annual depreciation rates are based on the following estimated average asset lives:

Furniture and equipment	7 years
Machinery and equipment	7 years
Computer equipment	5 years
Agriculture PPE	15 years

Projects Under Construction are not depreciated due to the intention to transfer the assets to Special Purpose Vehicles in the near future.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.1.5 LEASED ASSETS

Leases in terms of which the municipal entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3 BIOLOGICAL ASSETS

3.1 RECOGNITION

Biological assets are fair valued at the end of each accounting period. Biological assets that have not produced crops are valued at cost while in the case where crops are present the value of the crop at the end of the accounting period is taken into account to arrive at the fair value.

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipal entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipal entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipal entity has the resources to complete the project; and
- It is probable that the municipal entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipal entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipal entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5 HERITAGE ASSETS

5.1 INITIAL RECOGNITION

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Heritage assets are recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the asset will to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

If the municipal entity holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

5.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

5.3 DEPRECIATION

Heritage assets are not depreciated. The municipal entity assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

5.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

6 INVESTMENT PROPERTY

6.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

6.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipal entity categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipal entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipal Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable, if it meets the definition and the recognition criteria of an asset, in the statement of financial position until it is recovered or written off as irrecoverable.

12 PROVISIONS

Provisions are recognised when the municipal entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipal entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipal entity has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipal entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13 LEASES

13.1 MUNICIPAL ENTITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipal entity. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipal entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPAL ENTITY AS LESSOR

Under a finance lease, the municipal entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipal entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipal entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Sale of agriculture produce is recognised on a cash basis.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipal entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipal entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipal entity. Where public contributions have been received but the municipal entity has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipal entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 VALUE ADDED TAX (VAT)

The municipal entity accounts for VAT on the invoice basis. The municipal entity is liable to account VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipal entity accounts for VAT on a bi-monthly basis.

16 INCOME TAX

As a registered company the municipal entity is registered for income tax. However due to the entity being a municipal entity it is exempt from income tax.

17 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control; or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

18 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

19 CAPITAL COMMITMENTS

Items are classified as commitments where the municipal entity commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes of the annual financial statements.

20 IMPAIRMENT OF ASSETS

The municipal entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipal entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1. CREDITORS		
Trade creditors	141 074	3 991 486
Accruals Lease Expenses	104 936	46 309
Ilembe District Municipality	2 500 000	1 050 034
Staff leave	243 937	155 460
Other creditors	140 733	-
Total Creditors	3 130 680	5 243 289
2. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Agri Processing Ex DCGTA	-	5 354 927
Disaster Management	55 318	55 318
Broadband Project Ex DCGTA	-	2 369 200
Blodiesel Production Facility Ex DCGTA	-	2 184 800
North Coast Wine Project Ex DCGTA	2 772 721	8 441 656
Amacambini Dev Project Ex DCGTA	757 666	757 666
Integrated Craft Hub	231 252	321 664
Siza water Concession	947 858	498 246
Maphumulo Small Town Rehabilitation	85 965	85 965
Nonoti Beach Resort Bussiness Plan	49 123	49 123
Moringa Tree Plantation	12 514	3 461 947
Fresh Produce Market	278 049	-
RIDS Grant	200 000	-
IDC Projects Grant	634 902	-
Total Conditional Grants and Receipts	6 025 368	23 580 510
See Note 19 for reconciliation of grants from other spheres of government. These amounts are invested until utilised.		
3. VALUE ADDED TAXATION	1 865 034	1 663 018
VAT is receivable on the payments basis. VAT is receivable from SARS only once payment is made to the creditor.		

4. PROPERTY, PLANT & EQUIPMENT

30 June 2012

Reconciliation of Carrying Value	Improvements	PPE Agriculture	Projects under construction	Furniture and Equipment	Computer Equipment	Total
	R		R	R	R	R
Carrying Values at 1 July 2011	27 159	9 511 083	6 073 412	443 668	107 427	16 162 749
Cost	27 159	9 874 779	6 073 412	521 962	137 961	16 635 273
Accumulated depreciation	-	(363 696)	-	(78 294)	(30 534)	(472 524)
Acquisitions	-	4 696 419	8 355 137	80 354	68 664	13 100 574
Transfers	22 595	-	-	(3 609)	(28 815)	(10 069)
Less Disposals	-	-	-	(135 114)	-	(135 114)
Less Accumulated Depreciation on Disposals	-	-	-	42 023	-	42 023
Depreciation	(1 634)	(662 213)	-	(70 023)	(29 508)	(955 178)
Prior year adjustments	-	-	-	-	-	-
Prior year adjustment depreciation	(722)	-	-	(2 905)	7 510	3 879
Carrying Values at 30 June 2012	47 388	13 245 289	14 428 549	351 130	125 478	28 200 845
Cost	49 754	14 471 198	14 428 549	463 333	177 810	29 590 644
Accumulated depreciation	(2 366)	(1 225 909)	-	(109 203)	(52 332)	(1 389 800)

30 June 2011

Reconciliation of Carrying Value	Improvements	PPE Agriculture	Projects under construction	Furniture and Equipment	Computer Equipment	Total
	R		R	R	R	R
Carrying Values at 1 July 2010	-	-	6 768 042	325 803	88 277	7 182 122
Cost	-	-	6 768 042	345 433	94 714	7 208 189
Accumulated depreciation	-	-	-	(19 630)	(6 437)	(26 067)
Acquisitions	27 159	6 667 447	6 073 412	176 529	43 247	12 997 794
Transfers	-	-	-	-	-	-
Less: Disposals	-	-	-	-	-	-
Less: Accumulated Depreciation on Disposals	-	-	-	-	-	-
Depreciation	-	(350 467)	-	(58 064)	(24 097)	(433 228)
Prior year adjustments	-	3 207 332	(6 768 042)	-	-	(3 560 710)
Prior year adjustment depreciation	-	(13 229)	-	-	-	(13 229)
Carrying Values at 30 June 2011	27 159	9 511 083	6 073 412	443 668	107 427	16 162 749
Cost	27 159	9 874 779	6 073 412	521 962	137 961	16 635 273
Accumulated depreciation	-	(363 696)	-	(78 294)	(30 534)	(472 524)

2,012
R

2,011
R

6. BIOLOGICAL ASSETS

Carrying Value at 30 June 2011

Cost

Accumulated depreciation

Acquisitions

Transfers

Depreciation

Prior year adjustment depreciation

Carrying Value at 30 June 2012

Cost

Accumulated depreciation

-	-
-	-
-	-

1,038,400

-

-

-

1,038,400

1,038,400

-

6. INTANGIBLE ASSETS

Carrying Value at 30 June 2011

Cost

Accumulated depreciation

Acquisitions

Transfers

Depreciation

Prior year adjustment depreciation

Carrying Value at 30 June 2012

Cost

Accumulated depreciation

-	-
-	-
-	-

15,571

-

10,099

(4,297)

(2,986)

18,377

25,660

(7,283)

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7 ISSUED SHARE CAPITAL		
Name of company Ilembe District Municipality		
Carrying amount	100	100
% Holding	100%	100%
Ordinary Shares: 100 @ R1 each		
8. OTHER DEBTORS		
Other debtors		
Ilembe District Municipality	74 425	224 142
Operating Lease Assets	-	61 733
Deposits: Coastal Farmers	20 000	20 000
Eskom	6 350	6 350
Total Other Debtors	100 775	312 225
9. CURRENT INVESTMENTS		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investment Current Account		
Investec: Sandton Branch,		
Account Number 50004108608		
Bank statement balance at the beginning of the year	22 167 237	14 772 244
Bank statement balance at the end of the year	-	22 167 237
TOTAL CURRENT INVESTMENTS	-	22 167 237

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
10. BANK BALANCES AND CASH		
<u>ACCOUNT DESCRIPTION</u>		
Main bank account		
<i>ABSA - Business Centre KwaZulu Natal</i>		
<i>Account Number 40-6036-2852: Current Account</i>		
Cash book balance at the beginning of the year	3 515 196	2 199 284
Cash book balance at the end of the year	1 776 337	3 515 196
Bank statement balance at the beginning of the year	3 515 196	2 199 284
Bank statement balance at the end of the year	1 776 337	3 515 196
Produce bank account		
<i>ABSA - Public Sector KwaZulu Natal</i>		
<i>Account Number 40-7867-9825: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	17 969	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	17 969	-
Rocabex - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347813471: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	145 829	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	145 829	-
Rocablox - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347809272: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	302	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	302	-
Rocabix - Trust Bank Account		
<i>First National Bank Account - Kloof Branch</i>		
<i>Account Number 62347811954: Current Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	302	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	302	-
Petty cash and cash on hand	2 000	2 000
TOTAL BANK BALANCES AND CASH:		
Cash book balance at the end of the year	1 940 437	3 515 196
Bank statement balance at the end of the year	1 940 739	3 515 196
Petty cash and cash on hand	2 000	2 000
	1 942 739	3 517 196

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
11. RENTAL INCOME OF FACILITIES		
Rental of Buildings	211 248	219 784
Total Rental Income	<u>211 248</u>	<u>219 784</u>

The entity is the lessor of an office property. The lease was negotiated for a term of five years.

12. INTEREST ON INVESTMENTS

Bank	25 475	78 038
Call investments	849 358	1 199 697
	<u>874 833</u>	<u>1 277 735</u>

13. GOVERNMENT GRANTS AND SUBSIDIES

Salaries Ex IDC	2 810 000	2 120 259
Agricultural Hub Ex IDC	-	622 079
Industrial Development Strategy Ex IDC	-	186 624
Broadband Project Ex IDC	-	186 623
North Coast Wine Project Ex IDC	-	182 477
Ilembe District Municipality - LED	1 600 000	1 617 317
Ilembe District Municipality - Tourism	900 000	963 018
Agri Processing Ex DCGTA	5 354 927	9 663 286
Disaster Management	-	237 614
Broadband Project Ex DCGTA	2 222 058	3 092 696
Biodiesel Production Facility Ex DCGTA	2 184 800	3 299 980
North Coast Wine Project Ex DCGTA	5 159 405	3 229 793
Amacambini Dev Project Ex DCGTA	-	198 255
Integrated Craft Hub	87 056	5 484
Nonoti Beach Resort Business Plan	877 193	350 877
Maphumulo Small Town Regeneration	-	614 035
Moringa Tree Plantation	3 026 069	38 053
Siza Water Concession	842 105	701 754
Fresh Produce Market	133 290	-
Projects Ex IDC	1 895 350	-
Operational Ex IDM	3 227 000	2 163 171
Other Ex IDM	1 000 000	198 263
Total Government Grant and Subsidies	<u>31 319 253</u>	<u>29 671 659</u>

13.1 Grant Salaries Ex IDC

Balance unspent at beginning of year	-	809 746
Current year receipts	2 810 000	1 310 513
Conditions met – transferred to revenue	(2 810 000)	(2 120 259)
Conditions met	<u>-</u>	<u>-</u>

13.2 Grant Agricultural Hub Ex IDC

Balance unspent at beginning of year	-	-
Current year receipts	-	622 079
Conditions met – transferred to revenue	-	(622 079)
Conditions met	<u>-</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
<i>13.3 Grant Industrial Development Strategy Ex IDC</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	186 624
Conditions met - transferred to revenue	-	(186 624)
Conditions met.	<u>-</u>	<u>-</u>
<i>13.4 Grant Broadband Project Ex IDC</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	186 623
Transferred to revenue - no further conditions to be met	-	(186 623)
Conditions met	<u>-</u>	<u>-</u>
<i>13.5 Grant North Coast Wine Project Ex IDC</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	182 477
Conditions met - transferred to revenue	-	(182 477)
Conditions met.	<u>-</u>	<u>-</u>
<i>13.6 Grant Ilembe District Municipality - LED</i>		
Balance unspent at beginning of year	-	117 317
Current year receipts	1 600 000	1 500 000
Conditions met - transferred to revenue	(1 600 000)	(1 617 317)
Conditions met.	<u>-</u>	<u>-</u>
<i>13.7 Grant Ilembe District Municipality - Tourism</i>		
Balance unspent at beginning of year	-	163 018
Current year receipts	900 000	800 000
Transferred to revenue - no further conditions to be met	(900 000)	(963 018)
Conditions met	<u>-</u>	<u>-</u>
<i>13.8 Grant Agri Processing Ex DCGTA</i>		
Balance unspent at beginning of year	5 354 927	4 018 213
Current year receipts	-	11 000 000
Conditions met - transferred to revenue	(5 354 927)	(9 663 286)
Conditions met.	<u>-</u>	<u>5 354 927</u>
<i>13.9 Grant Disaster Management</i>		
Balance unspent at beginning of year	55 318	292 932
Current year receipts	-	-
Conditions met - transferred to revenue	-	(237 614)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>55 318</u>	<u>55 318</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
13.10 Grant Broadband Project Ex DCGTA		
Balance unspent at beginning of year	2 369 200	2 961 896
Current year receipts	-	2 500 000
Conditions met - transferred to revenue	(2 222 058)	(3 092 696)
Adjustments and Transfers	(147 142)	-
Conditions met.	<u>-</u>	<u>2 369 200</u>
13.11 Grant Biodiesel Production Facility Ex DCGTA		
Balance unspent at beginning of year	2 184 800	1 568 780
Current year receipts	-	3 916 000
Conditions met - transferred to revenue	(2 184 800)	(3 299 980)
Conditions met.	<u>-</u>	<u>2 184 800</u>
13.12 Grant North Coast Wine Project Ex DCGTA		
Balance unspent at beginning of year	8 441 656	2 671 449
Current year receipts	-	9 000 000
Conditions met - transferred to revenue	(5 159 405)	(3 229 793)
Adjustments and Transfers	(509 529)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>2 772 722</u>	<u>8 441 656</u>
13.13 Grant Amacambini Dev Project Ex DCGTA		
Balance unspent at beginning of year	757 666	955 921
Current year receipts	-	-
Conditions met - transferred to revenue	-	(198 255)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>757 666</u>	<u>757 666</u>
13.14 Grant Integrated Craft Hub		
Balance unspent at beginning of year	321 664	327 148
Current year receipts	-	-
Transferred to revenue - no further conditions to be met	(87 056)	(5 484)
Adjustments and Transfers	(3 355)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>231 253</u>	<u>321 664</u>
13.15 Grant Nonoti Beach Resort Business Plan		
Balance unspent at beginning of year	49 123	-
Current year receipts	1 000 000	400 000
Conditions met - transferred to revenue	(877 193)	(350 877)
Adjustments and Transfers	(122 807)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>49 123</u>	<u>49 123</u>
13.16 Grant Maphumulo Small Town Regeneration		
Balance unspent at beginning of year	85 965	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	-	(614 035)
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>85 965</u>	<u>85 965</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
<i>13.17 Grant Moringa Tree Plantation</i>		
Balance unspent at beginning of year	3 461 947	-
Current year receipts	-	3 500 000
Conditions met - transferred to revenue	(3 026 069)	(38 053)
Adjustments and Transfers	(423 363)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>12 515</u>	<u>3 461 947</u>
<i>13.18 Grant Siza Water Concession</i>		
Balance unspent at beginning of year	498 246	-
Current year receipts	1 409 612	1 200 000
Conditions met - transferred to revenue	(842 105)	(701 754)
Adjustments and Transfers	(117 895)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>947 858</u>	<u>498 246</u>
<i>13.19 North Urban Development Plan</i>		
Balance unspent at beginning of year	-	-
Current year receipts	2 500 000	-
Conditions met - transferred to revenue	-	-
Adjustments and Transfers	(2 500 000)	-
Conditions met.	<u>-</u>	<u>-</u>
<i>13.20 Fresh Produce Market</i>		
Balance unspent at beginning of year	-	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	(133 290)	-
Adjustments and Transfers	(88 661)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>278 049</u>	<u>-</u>
<i>13.21 RIDS Grant Marketing</i>		
Balance unspent at beginning of year	-	-
Current year receipts	200 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>200 000</u>	<u>-</u>
<i>13.22 Projects Ex IDC</i>		
Balance unspent at beginning of year	-	-
Current year receipts	2 650 000	-
Conditions met - transferred to revenue	(1 895 350)	-
Adjustments and Transfers	(119 748)	-
Conditions still to be met-transferred to liabilities (refer to Note 2)	<u>634 902</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14. SALE OF AGRICULTURAL PRODUCE		
Tomatoes	59 066	-
Cucumbers	27 160	-
Peppers	70 815	-
Patty Pan	12 071	-
Baby Marrows	12 486	-
	<u>181 598</u>	<u>-</u>
15. OTHER INCOME		
Included in other income is the following: -		
Other Grants Ilembe District Municipality	600 000	-
Tender documents	5 900	-
VAT Refunds on Grants	1 545 050	-
Other income	198 858	550
	<u>2 349 808</u>	<u>550</u>
16. EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	4 902 917	2 553 695
UIF	88 781	20 702
Car and other allowances	1 071 654	-
	<u>6 063 352</u>	<u>2 574 397</u>
Included in the employee related costs are the following:		
<i>Remuneration of the Chief Executive Officer</i>		
Annual Remuneration	1 190 128	519 750
Car Allowance	151 250	205 613
Other	107 296	-
Total	<u>1 448 674</u>	<u>725 363</u>
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	721 979	67 083
Car Allowance	55 000	-
Other	29 534	-
Contributions to UIF, Medical and Pension Funds		
Total	<u>806 513</u>	<u>67 083</u>
<i>During the 2010/2011 Financial year the CFO was engaged on 1 June 2011.</i>		
17. REMUNERATION OF BOARD MEMBERS		
Attendance fees at meetings:		
M C Mancl	94 354	91 998
T C Chetty	-	32 250
B N Linda	96 529	82 248
M H Gumede	-	15 000
D Naidoo	-	17 500
I Deetlefs	108 529	60 748
P M Mabaso	93 395	60 748
R Meer	99 440	57 748
S Z Gumede	13 644	-
J Wiltshire	9 750	-
B Pityi	7 431	-
Total Board Members' Remuneration	<u>523 072</u>	<u>418 240</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
18. REPAIRS AND MAINTENANCE		
Computer equipment	1 731	-
Buildings	45 948	27 663
Furniture and equipment	19 728	-
Plant and equipment	38 590	-
	<u>105 997</u>	<u>27 663</u>
19. GENERAL EXPENSES		
Included in general expenses is the following: -		
Advertising	479 217	559 039
Audit Fees	702 294	219 610
Subscriptions	-	32 262
Bank charges	29 469	8 810
Entertainment	198 618	24 154
Consulting and professional fees	660 263	582 503
Board Expenses	-	75 185
Rental offices	219 784	-
Subsistence and Travel	322 550	406 327
Office Expenses	692 438	336 662
Telephone and Fax	-	163 904
Training	78 545	116 521
Marketing and communication	1 626 838	872 299
Accounting Services	-	83 802
Internal Audit Service	334 376	222 723
ICT Services	-	149 525
Office Rental	-	225 286
Building Maintenance	-	75 042
Other general expenses	404 073	371 468
	<u>5 748 465</u>	<u>4 525 122</u>
20. GRANT EXPENSES		
Included in grant expenditure is the following:-		
LED Projects	1 837 863	1 756 218
Industrial Development Strategy	-	3 000
Amacambini Development	-	198 255
Maphumulo Small Town Regeneration	-	1 794 353
Nonoti Beach Resort Business Plan	877 193	350 877
Siza Water Concession Monitoring	842 105	701 754
New Projects	-	51 350
Disaster Management	-	237 614
Integrated Craft Hub	87 057	5 484
Tourism	1 039 594	826 816
Container Project	212 850	-
Fresh Produce Market	633 290	-
Packhouse	203 895	-
Community and Development Support	40 008	-
Spatial Development Strategy	526 316	-
King Shaka Tourism Route	438 596	-
Agri Processing Grant	3 424 759	3 163 807
Biodiesel Grant	309 104	263 744
Vineyards Grant	1 636 579	2 507 874
Winery Grant	41 906	-
Moringa Grant	1 336 789	-
Broadband	-	93 573
	<u>13 487 904</u>	<u>11 954 719</u>
21. RECHARGES		
Salary recharges to agricultural projects	(1 216 558)	-
	<u>(1 216 558)</u>	<u>-</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
22.1 Unauthorised expenditure		
Over expenditure on operating budget non cash item:		
Depreciation	953 849	-
	<u>953 849</u>	<u>-</u>
22.2 Fruitless and wasteful expenditure		
Interest paid to the South African Revenue Service for late payment of employees statutory deductions.	<u>37 071</u>	<u>-</u>
22.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure for the current year:		10 456 475
Three quotations not obtained no deviations	4 475 315	
No valid tax clearance certificates	62 205	
Awards to employees of the State	489 279	
Third party payment and payment to contractor after contract had expired.	5 850 683	
Competitive bidding process not followed. Contract of project management unit extended to ensure completion of LED projects.	16 115 515	
Service provider chosen by Province who did not follow SCM processes.	320 102	
	<u>(24 050 965)</u>	<u>(10 456 475)</u>
Submitted to Board for consideration and condoned	<u>3 262 134</u>	<u>-</u>
Transfer to receivables for recovery - not condoned		
Deviations were approved in terms of Section 34 of the Supply Chain Management Policy:		
Total Value	<u>1 077 465</u>	<u>13 625 815</u>
Total Number	<u>9</u>	<u>32</u>

Incident
<i>Irregular expenditure is as a result of non compliance with one or more of the Supply Chain Management Regulations or Supply Chain Management Policy requirements.</i>
Action
In the Board's opinion the expenditure is valid apart from the non compliance set out above. The irregular expenditure has been condoned by the Board.

23. CASH GENERATED BY OPERATIONS

Surplus for the year	9 163 942	11 236 359
Adjustment for: -		
Previous years operating transactions	(524 739)	74 717
Depreciation:Property,Plant and equipment	967 475	433 228
Contribution to leave provision	-	112 235
Gain on fair value of biological assets	371 400	-
Loss on disposal of property, plant and equipment	93 091	-
Investment income	(874 833)	(1 277 735)
Operating surplus before working capital changes:	9 196 336	10 578 804
(Increase)/Decrease in other debtors	211 450	1 063 367
(Decrease)/Increase in unspent conditional grants	(17 555 142)	9 694 090
(Decrease)/Increase in creditors	(2 112 610)	149 881
Decrease/(Increase) in VAT receivable	(202 015)	(1 065 178)
Cash generated by operations	<u>(10 461 981)</u>	<u>20 420 964</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
24. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	1 942 739	3 517 196
Current investments	-	22 167 237
Total cash and cash equivalents at the end of the year	<u>1 942 739</u>	<u>25 684 432</u>
The entity does not have overdraft facilities.		
25. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>25.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>25.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	326 821	219 610
Prior year audit fee	-	-
Amount paid - current year	(326 821)	(219 610)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>25.3 VAT</u>		
Vat received for the year	<u>2 278 694</u>	<u>1 278 800</u>
VAT inputs receivable are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.		
<u>25.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	1 333 915	232 211
Amount paid - current year	(1 333 915)	(232 211)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
26. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for:	5 907 623	14 705 015
Community	<u>5 907 623</u>	<u>14 705 015</u>
- Approved but not yet contracted for:	-	8 461 947
Community	<u>-</u>	<u>8 461 947</u>
Total	<u>5 907 623</u>	<u>23 166 962</u>
This expenditure will be financed as follows:		
Grant funded	<u>5 907 623</u>	<u>23 166 962</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27. CONTINGENT LIABILITIES		
It has been established that the entity may be liable to pay SARS in respect of VAT on grants received from Ilembe District Municipality. Representations have been made to SARS to zero rate these grants and a response is awaited.	8 932 465	-
28. CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY		
28.1 Prior year adjustments		
Prior Year Depreciation	893	(13 229)
Prior Year Accounts Receivable	(285 873)	-
Prior year rental understated	(36 572)	-
Prior year accruals	(202 294)	-
Transfer to Grant Expenditure	-	(3 560 709)
Other	-	74 715
	<u>(523 846)</u>	<u>(3 499 223)</u>
28.2 Reinstatement 2011 balances		
<i>PPE Agriculture - Note 4</i>		
Balance as at 30 June 2011	-	-
Restated balance as at 30 June 2011	-	9 511 083
<i>Projects Under Construction - Note 4</i>		
Balance as at 30 June 2011	-	26 718 216
Restated balance as at 30 June 2011	-	6 073 412
<i>Depreciation - Note 4</i>		
Balance as at 30 June 2011	-	82 761
Restated balance as at 30 June 2011	-	433 228
<i>Grant expenditure - Note 20</i>		
Balance as at 30 June 2011	-	4 745 403
Restated balance as at 30 June 2011	-	11 954 719
29. RELATED PARTIES		
Parent Municipality: Ilembe District Municipality.		
Related party balances		
Accounts owing to related party:		
Ilembe District Municipality	2,500,000	1 050 034
Accounts owing by related party:		
Ilembe District Municipality	74,425	224 143
Debtor	74 425	224 143
Trade Creditor	2 500 000	1 050 034
	<u>(2 425 575)</u>	<u>(825 891)</u>
Rental income paid to Enterprise Ilembe	<u>211 248</u>	<u>219 784</u>
Grant income paid to Enterprise Ilembe:		
Administration Grant	4 227 000	2 163 171
LED Grant	1 600 000	1 500 000
Tourism Grant	900 000	800 000
Siza Water Concession	1 409 612	1 200 000
	<u>8 136 612</u>	<u>5 663 171</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29. RELATED PARTIES (Continued)		
Grant income paid via Ilembe District Municipality to Enterprise Ilembe:		
Grant Agri Processing Ex DCGTA	-	11 000 000
Grant Broadband Project Ex DCGTA	-	2 500 000
Grant Biodiesel Production Facility Ex DCGTA	-	3 916 000
Grant North Coast Wine Project Ex DCGTA	-	9 000 000
Grant Fresh Produce Market	500 000	-
Grant Moringa Tree Plantations	-	3 500 000
Grant Nonoti Beach Resort	1 000 000	400 000
Grant Maphumulo Small Town Regeneration	-	700 000
	<u>1 500 000</u>	<u>31 016 000</u>
Payment to Board Member P M Mabaso for attendance at HR related meetings.	<u>9 000</u>	<u>-</u>

30. OPERATING LEASES

The future minimum lease payments payable under operating leases for the actual liability are as follows:

No later than 1 year	241 577	221 430
Later than 1 year and no later than 5 years	241 576	463 188
	<u>483 153</u>	<u>684 618</u>

The entity is both the lessee and lessor of an office property. The lease was negotiated for a term of five years and the rental is escalated annually.

31. TRANSFER OF AGRICULTURAL PROJECTS

The process of transferring the following agricultural assets presently disclosed as PPE Agriculture, Biological Assets and Projects Under Construction has begun:

Agri Processing Hubs	1 322 220	-
Bio Diesel	5 777 329	-
North Coast Vineyards	598 097	-
Winery	3 430 040	-
Moringa Plantations	1 689 280	-
	<u>12 816 966</u>	<u>-</u>

Special Purpose Vehicles (SPVs) will be established and the assets will be transferred into these SPVs.

In anticipation of the transfer of assets the following companies have been registered:

Rocabex (Pty) Ltd
Rocablox (Pty) Ltd
Rocabix (Pty) Ltd

Bank accounts have been opened in the names of the three companies. To date due to the assets having not been transferred to the SPVs the above companies have not traded apart from the proceeds from the sale of agricultural produce being deposited into the bank account of Rocabex (Pty) Ltd.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
32. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES		
32.1 Interest Rate Analysis		
Financial Assets:		
External Investments:		
Current Investments	-	22,167,237
Bank balances and cash	1,942,739	3,517,196
	<u>1,942,739</u>	<u>25,684,433</u>
Interest earned external investments	<u>874,833</u>	<u>1,277,735</u>
Interest rate	<u>45.0%</u>	<u>5.0%</u>
Outstanding Debtors:		
Other debtors	72,257	312,225
	<u>72,257</u>	<u>312,225</u>
Interest earned on outstanding debtors		
Interest rate	<u>0.0%</u>	<u>0.0%</u>
Financial Liabilities:		
Long-term Liabilities:		
Long-term Liabilities	-	-
	<u>-</u>	<u>-</u>
Interest paid on long-term liabilities	-	-
Interest rate	<u>0.0%</u>	<u>0.0%</u>
32.2 Credit Risk		
Receivables:		
Other debtors	72,257	312,225
	<u>72,257</u>	<u>312,225</u>
Ageing of consumer debtors:		
Current	-	-
31-60 days	-	-
>60 days	72,257	312,225
Less: Provision for bad debts	-	-
Net Consumer Debtors	<u>72,257</u>	<u>312,225</u>
Movement Provision for bad debt:		
Balance at beginning of year	-	-
Contributions	-	-
Bad debts written off	-	-
Balance at end of year	<u>-</u>	<u>-</u>
32.3 Liquidity Risk		
Debt (Long term liabilities)	-	-
Equity (Net Assets)	<u>24,010,122</u>	<u>14,998,626</u>
Net Debt to Equity Ratio	<u>0.0%</u>	<u>0.0%</u>

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

33. SUBSEQUENT EVENTS

An agreement was entered into on 28 September 2012 between Enterprise Ilembe and Coalition Trading 596 CC Trading as Romac Farm and Black Balance Projects (Pty) Ltd in respect of the traditional arrangements in relation to the operation of the Ilembe Agri-Hubs Project with effect from 1 October 2012.

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

34. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Description	2011/12 Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	%	%
Financial Performance								
Rental income	220 000	-	220 000	211 248	-	(8 752)	96%	96%
Interest on investment	1 000 000	(44 677)	955 323	874 833	-	(80 490)	92%	87%
Government grants and subsidies	38 128 301	(2 717 984)	35 410 317	31 319 253	-	(4 091 064)	88%	82%
Sale of agricultural produce	-	-	-	181 598	-	181 598	100%	100%
Other income	-	3 016 000	3 016 000	2 349 808	-	(666 192)	78%	0%
Total Revenue (excluding capital transfers & contributions)	39 348 301	253 339	39 601 640	34 936 740	-	(4 664 900)	88%	89%
Employee related costs	3 950 000	1 404 000	5 354 000	6 083 352	709 352	709 352	113%	154%
Directors' fees	650 000	-	650 000	523 072	-	(126 928)	80%	80%
Depreciation	-	13 626	13 626	967 475	953 849	(13 626)	100%	100%
Repairs and Maintenance	150 000	-	150 000	105 997	-	(44 003)	71%	71%
General Expenses	5 047 000	1 659 323	6 706 323	5 748 485	-	(957 838)	86%	114%
Grant Expenses	6 017 982	1 000 000	7 017 982	13 487 804	-	6 469 822	192%	224%
Loss on disposal of assets	-	-	-	93 081	-	93 081	100%	100%
Less Charge outs	-	-	-	(1 216 558)	(1 216 558)	(1 216 558)	0%	0%
Total Expenditure	15 814 982	4 076 949	19 891 931	25 772 798	446 643	5 880 867	130%	163%
Surplus/(Deficit)	23 533 319	(3 823 610)	19 709 709	9 163 942	-	(10 545 767)	46%	38%
Capital : Transfers recognised	26 617 530	(2 905 000)	23 712 530	14 154 545	-	(9 557 985)	60%	53%
Capital : Transfers recognised from Operating	-	-	-	-	-	-	-	-
Surplus/ (Deficit) after capital transfers & contributions	50 150 849	(6 728 610)	43 422 239	23 318 487	-	(20 103 752)	54%	46%

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX A : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Opening Balance	Additions	Cost / Revaluation Disposals	Transfers	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Impairment loss/ Reversal of impairment loss/Transfers	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Improvements	27 159	-	-	22 595	49 754	-	1 634	-	722	2 356	47 398
PPE Agriculture	9 574 779	4 596 419	-	-	14 471 198	353 656	862 213	-	-	1 225 309	13 245 289
Biological Assets	-	1 038 400	-	-	1 038 400	-	-	-	-	-	1 038 400
Projects - Under construction	6 073 412	8 355 137	-	-	14 428 549	-	-	-	-	-	14 428 549
Furniture & Equipment	521 982	80 354	(135 114)	(3 869)	463 333	78 293	70 023	(42 023)	2 906	109 202	354 131
Computer Equipment	137 961	68 664	-	(28 815)	177 810	30 534	29 308	-	(7 510)	52 332	125 478
Intangible Assets	-	15 571	-	10 089	25 660	-	4 297	-	2 986	7 283	18 377
	16 635 273	14 154 545	(135 114)	-	30 654 704	472 523	967 475	(42 023)	(893)	1 397 082	29 257 622

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX B : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2012

	Opening Balance	Cost / Revaluation		Transfers	Closing Balance	Accumulated Depreciation		Opening Balance	Additions	Disposals	Impairment loss/ Reversal of impairment loss/Transfers	Closing Balance	Carrying Value
		R	R	R	R	R	R						
Administration	687 082	184 589	(135 114)	-	716 557	(42 023)	(893)	108 827	105 262	-	-	171 173	545 384
PPE Agriculture	9 874 779	4 596 419	-	-	14 471 198	-	-	363 696	862 213	-	-	1 225 909	13 245 289
Biological Assets	-	1 038 400	-	-	1 038 400	-	-	-	-	-	-	-	1 038 400
Projects Under Construction	6 073 412	8 355 137	-	-	14 428 549	-	-	-	-	-	-	-	14 428 549
	16 635 273	14 154 545	(135 114)	-	30 654 704	(42 023)	(893)	472 523	967 475	-	-	1 397 082	29 257 622

LEBIBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTV) LTD
UNAUDITED SUPPLEMENTARY APPENDIX DVI: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Original Budget		Budget Adjustments		Final Budget		Actual Outcome		Unauthorised Expenditure		Variance		Actual Outcome as % of Final Budget		Variance %		Explanation of significant Variance greater than 10% versus Final Budget
	R		R		R		R		R		R		%		%		
Financial Performance																	
Rental Income	220 000		-		220 000		211 245		-		(8 752)		96%		-4%		
Interest on Investment	1 000 000		(44 677)		955 323		874 833		-		(80 490)		92%		-8%		
Grants and Subsidies	38 123 201		(2 717 864)		35 405 337		31 319 253		-		(4 086 084)		88%		-12%		
Sale of agricultural products	-		-		-		181 593		-		181 593		0%		100%		
Other Income	-		3 016 000		3 016 000		2 349 809		-		(666 192)		78%		-22%		
Total Revenue (excluding capital transfers & contributions)	39 343 201		253 323		39 596 524		34 536 740				(5 059 784)		87%		-12%		
Employees related costs	3 590 000		1 404 000		5 000 000		6 003 362		709 362		709 362		119%		13%		
Directors Fees	650 000		-		650 000		523 072		-		(126 928)		80%		-20%		
Depreciation	150 000		13 625		163 625		153 597		903 849		903 849		71%		700%		
Repairs and Maintenance	5 947 000		1 659 323		7 606 323		5 748 465		-		(857 858)		80%		-16%		
General Expenses	6 017 982		1 600 000		7 617 982		13 487 904		-		6 869 922		122%		22%		
Grant Expenses	-		-		-		32 031		-		32 031		0%		0%		
Loss on disposal of assets	-		-		-		(1 216 556)		(1 216 556)		(1 216 556)		-100%		-100%		
Less Charge sale	-		-		-		-		-		-		-		-		
Total Expenditure	15 814 982		4 076 949		19 891 931		25 772 785		448 843		2 823 942		129%		39%		
Surplus/(Deficit)	23 528 219		(3 823 616)		19 704 603		8 763 955		-		(19 545 767)		45%		-54%		
Capital : Transfers recognised	20 617 500		(2 805 000)		17 812 500		14 154 545		-		(3 657 955)		80%		-40%		
Capital : Transfers recognised from Operating	-		-		-		14 154 545		-		14 154 545		60%		332%		
Surplus/(Deficit) after capital transfers & contributions	20 617 500		(2 805 000)		17 812 500		28 309 090		-		(10 496 590)		58%		-42%		
Capital Expenditure & funds sources	20 617 500		(2 805 000)		17 812 500		28 309 090		-		(10 496 590)		58%		-42%		
Transfers recognised - capital	-		-		-		14 154 545		-		14 154 545		0%		0%		
Transfers recognised - Operating	-		-		-		-		-		-		0%		0%		
Transfers recognised - capital (from Equitable Share)	-		-		-		-		-		-		0%		0%		
Public contributions & donations	-		-		-		-		-		-		0%		0%		
Borrowing	-		-		-		-		-		-		0%		0%		
Internally generated funds	-		-		-		-		-		-		0%		0%		
Total sources of capital funds	20 617 500		(2 805 000)		17 812 500		28 309 090		-		(10 496 590)		58%		-42%		

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
UNAUDITED SUPPLEMENTARY APPENDIX D(2): ACTUAL VERSUS BUDGET BY DEPARTMENT (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2012		Budget 2012		Variance 2012		%
	R		R		R		
REVENUE							
Rental Income	211 248		220 000	(8 752)			-3.98%
Interest on investment	874 833		955 323	(80 490)			-8.43%
Government grants and subsidies	31 319 253		35 410 317	(4 091 064)			-11.55%
Sale of agricultural produce	181 598		-	181 598			100.00%
Other income	2 349 808		3 016 000	(666 192)			-22.09%
Total Revenue	34 935 740		39 601 640	(4 664 900)			
EXPENDITURE							
Organisational development	25 772 798		19 891 931	5 880 867			29.56%
Total Expenditure	25 772 798		19 891 931	5 880 867			
NET SURPLUS FOR THE YEAR	9 162 942		19 709 709	(10 546 767)			

ILEMBE MANAGEMENT DEVELOPMENT ENTERPRISE (PTY) LTD
 UNAUDITED SUPPLEMENTARY APPENDIX D(3): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of Significant Variances
Administration	164 589	500 000	(335 411)	-67%	
PPE Agriculture	4 596 419	8 356 510	(3 760 091)	-45%	
Biological Assets	1 038 400	-	1 038 400	100%	
Projects Under Construction	8 355 137	14 856 020	(6 500 883)	-44%	
	14 154 545	23 712 530	(9 557 985)	-40%	

STATEMENT OF FINANCIAL POSITION OF THE MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003

Name of Grants	Unapportioned portion of 2011/2012 financial statements	Adjustments and Transfers	Quarterly Receipts			Quarterly Expenditure			Total Expenditure	Unapportioned portion of 2011/2012 financial statements	Grants and Subsidies received / withheld	Reason for delay in releasing of funds	Did you meet the conditions in terms of grant framework in the latest Decision of the Board of Directors?	Reason for non-compliance
			July to Dec	Jan to Mar	April to June	July to Dec	Jan to Mar	April to June						
Agri Processing Co. DOGTA	5 354 027	-	-	-	-	-	-	5 354 027	5 354 027	-	NO	N/A	YES	N/A
Chasler Management	25 216	-	-	-	-	-	-	-	-	25 216	NO	N/A	YES	N/A
Shedding Project Co. DOGTA	2 069 209	(147 142)	-	-	-	-	-	-	2 222 058	-	NO	N/A	YES	N/A
Shedding Production Facility Co. DOGTA	2 184 033	-	-	-	-	-	-	2 184 033	2 184 033	-	NO	N/A	YES	N/A
North Coast Water Project Co. DOGTA	8 441 025	(200 239)	-	-	-	1 027 459	-	3 471 547	5 159 405	2 772 720	NO	N/A	YES	N/A
Amazonside Dam Project Co. DOGTA	737 008	-	-	-	-	-	-	-	-	737 008	NO	N/A	YES	N/A
Integrated Coal Hole	321 054	(3 205)	-	-	-	87 037	-	-	87 037	-	NO	N/A	YES	N/A
Ston Water Commission	408 245	(117 000)	-	-	-	-	-	642 105	642 105	-	NO	N/A	YES	N/A
Mogamabusi Street Town Rehabilitation	82 000	-	-	-	-	-	-	-	-	82 000	NO	N/A	YES	N/A
Harold Street Road Business Plan	40 123	(122 037)	-	-	-	-	-	-	877 103	-	NO	N/A	YES	N/A
Maringa Tree Plantation	3 453 543	(423 302)	-	-	-	-	-	3 030 037	3 030 037	13 591	NO	N/A	YES	N/A
Sanctus District Municipality - LED	-	-	-	-	-	-	-	1 000 000	1 000 000	-	NO	N/A	YES	N/A
Sanctus District Municipality - Tourism	-	-	-	-	-	-	-	800 000	800 000	-	NO	N/A	YES	N/A
Tram Production Market	-	(88 000)	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
RECO Grant	-	-	-	-	-	-	-	133 250	133 250	-	NO	N/A	YES	N/A
Solomon Co. DOG	-	-	-	-	-	-	-	742 000	742 000	-	NO	N/A	YES	N/A
Projetos Co. DOG	-	(140 740)	-	-	-	-	-	1 895 200	1 895 200	634 002	NO	N/A	YES	N/A
Bentley 201 Operating Grant	-	-	-	-	-	-	-	800 728	800 728	3 227 030	NO	N/A	YES	N/A
Bentley 201 Additional Grant	-	-	-	-	-	-	-	200 000	200 000	-	NO	N/A	YES	N/A
	75 088 512	(1 031 500)	-	-	-	10 457 680	-	20 247 750	31 277 353	6 070 348	-	-	YES	N/A

Unapportioned grants at 30 June 2011 - None

Unapportioned grants at 30 June 2012 - None

Annexure B

2011/2012 Enterprise iLembe Scorecard- Annual Report

National KPA	IDP Objective	Departmental Objective	Key Performance Area (KPA)	Baseline Indicator	Key Performance Indicators (KPI)	Budget	2010/2011 Annual Actual	Annual Target	Annual Actual	Reasons for variance	Corrective measures	PMS Comments	Evidence Reference number	Weightings	Performance Symbols		
SOCIO-ECONOMIC SERVICES	To build partnerships between public sector support institutions and private sector players	To attract interest in investment in Lembe District and to assist in the retention and expansion of existing businesses	Trade & Investment Promotion	5	Number of inbound trade delegation hosted	R 1,507,362	Not measured	2	6				1	Y	M	●	
				5	Number of external trade mission that Enterprise Lembe participated in		Not measured	3	2	The mayor has instructed no further int travel allowed			2	Y	M	●	
				New Indicator	Number of networking seminars		Not measured	4	19				3	Y	M	●	
				New Indicator	% progress in the roll-out of business retention Expansion Variation programme by deadline	R 75,960	Not measured	100% by 31 December 2011	100%				4	Y	M	●	
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	Lembe Agri-Processing Hubs Project	New Indicator	No of Economic & Intelligence Reports for Lembe region	R 412,660	Not measured	4	4					5	Y	M	●
				Technical Partner appointed	% progress in implementation of the project	R5 354 927	Technical Partner appointed	100% by June 2012	60%		Downgraded from 3phase to 1phase to be complete end July.			6	Y	H	●
				New Indicator	Expenditure		Not measured	100% by June 2012	146.7%	Operational Costs are still being paid from EI (project vote)	EI in the process of transferring the Labourers and Oper costs to the SPV's.			7	Y	H	●
				New Indicator	Number of direct & indirect job opportunities created		Not measured	126 permanent & temp	159	99 EI & 60 SP			8	Y	H	●	
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	Lembe Vineyards & Winery Project	TP's to be appointed in August	% progress in implementation of the project	R11 346 656	Technical Partner appointed	50% by June 2012	80%	The construction of the Winery was fast tracked as per request from the Funder	Construction - September 2012			9	Y	H	●
				New Indicator	Expenditure		Not measured	50 % by June 2012	104.80%	The Expenditure was fast tracked as per request from the Funder				10	Y	H	●
				New Indicator	Number of direct & indirect job opportunities created		Not measured	60 direct	62	In construction through an SP				11	Y	H	●
				New Indicator	% progress in implementation of the project	R3 114 800	Not measured	50% by June 2012	50%					12	Y	H	●
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	Lembe Biodiesel Processing Plant	New Indicator	Expenditure		Not measured	60 % by June 2012	188.34%	This is due to the rising Steel prices and the cost of Equipment., when the project expenditure was budgeted for in 2009 Equipment was cheaper than what it is in 2012.				13	Y	H	●
				New Indicator	Number of direct & indirect job opportunities created		Not measured	7 direct	12	Additional costs of the regulatory licence applications which were not planned for initially affected the budget of this project.				14	Y	H	●

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National KPA	IDP Objective	Departmental Objective	Key Performance Area (KPA)	Baseline Indicator	Key Performance Indicators (KPI)	Budget	2010/2011 Annual Actual	Annual Target	Annual Actual	Reasons for variance	Corrective measures	PMS Comments	Evidence Reference number	Evidence	Weightings	Performance Symbols
SOCIO-ECONOMIC SERVICES	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	Moringa Plantations Project	TP's to be appointed in August	% progress in implementation of the project	R1 561 947	Technical Partner appointed	100% by June 2012	100%				15	Y	H	●
				New Indicator	Expenditure		Not measured	100% by June 2012	95,87%	Final invoices to be processed in July			16	Y	H	●
				New Indicator	Number of direct & indirect job opportunities created		Not measured	40 direct	94	Increase in labour up-take to fast track progress		Evidence submitted adds up to 82 list are incomplete. Requests have been made for ID or some proof of employment	17	Y	H	●
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	iLembe Open Farms Project	New Indicator	% progress in implementation, facilitations & co-ordination of the project	R1 600 000	Not measured	100% by June 2012	100%				18	Y	H	●
				New Indicator	Expenditure		Not measured	100% by June 2012	92,85%	Invoices for the final Spinach, Cabbage seedlings and fertilizer are being processed through the Financial Department.			19	Y	H	●
				New Indicator	Number of direct jobs retained		Not measured	381 direct jobs retained	381	Jobs retained through co-operatives			20	Y	H	●
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	King Shaka Tourism Route Concept, Business & Implementation Plan	New Indicator	% progress in facilitation of the project	R500 000	Not measured	100% by June 2012	90%	Finalisation of project reports and adoption processes.			21	Y	H	⊖
				New Indicator	Expenditure		Not measured	100% by June 2012	72,80%	Invoice pending the adoption of the Final Report.			22	Y	H	⊖
				New Indicator	% progress in facilitation of the project	R500 000	Not measured	100% by June 2012	95%	Finalisation and adoption of final reports.			23	Y	H	⊖
	To nurture new ideas which have commercial potential but have high impact potential poverty, jobs and empowerment	To create employment and monitor expenditure on projects	Lembe Pack house	New Indicator	Expenditure		Not measured	100% by June 2012	90,29%	Final invoice is pending the acceptance of the Close out Report.			24	Y	H	⊖

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National KPA	IDP Objective	Departmental Objective	Key Performance Area (KPA)	Baseline Indicator	Key Performance Indicators (KPI)	Budget	2010/2011 Annual Actual	Annual Target	Annual Actual	Reasons for variance	Corrective measures	PMS Comments	Evidence Reference number	Weightings	Performance Symbols	
SOCIO-ECONOMIC SERVICES	To nurture new ideas which have commercial potential but have high impact on poverty, jobs and empowerment.	To create employment	Agro-Park Park Concept	New Indicator	% progress in finalising market research for the project	Salaries	Not measured	100% by February 2012	0%	Project is now part of a larger long term plan for the Agro-Park development which includes the Winery and Integrated Floriculture centre, lease is already in place with Collfishen.			25	Y	H	
				New Indicator	Progress in site identification by deadline		Not measured	Mar-12	March 2012				26	Y	H	
				New Indicator	A business plan completed by deadline		Not measured	Jun-12	Not done	Project scope changed	Project is now being reviewed as part of bigger precinct plan with Winery etc.		27	Y	H	
	To become an effective finance facilitator for projects	To facilitate LED within Lembe District	Integrated Floriculture Centre	New Indicator	% progress in application for funding	Salaries	Not measured	100% by 31 December 2011	100% by Dec 2011				28	Y	H	
				New Indicator	Progress in facilitation and coordination of establishing a NEWCO with community shareholding		Not measured	Jun-12	Not established	Funding Approved directly to TP.	Project combined with Agro park		29	Y	H	
Institutional Transformation & Development	To build a strong Project Management Unit - so as to be able to bridge 1st & 2nd economies through catalytic & high-impact projects through catalytic & high-impact projects	To build a strong Project Management Unit - so as to be able to bridge 1st & 2nd economies through catalytic & high-impact projects	New Project Identification	New Indicator	No of projects identified, facilitated, packaged and presented for funding.	Salaries	Not measured	4	5				30	Y	H	
	To promote an institution that is representative, participative, and empowered to improve the institutional capabilities of the Municipality	To promote an institution that is representative, participative, and empowered to improve the institutional capabilities of the Municipality	SLA Delivery	New Indicator	% of vacant posts filled by June 2012	Salaries	Not measured	100%	76%	Organogram amended			31	Y	M	
				New Indicator	Number of Budget Performance Reports Submitted to IDM		Not measured	12	12				32	Y	M	
				New Indicator	Number of Operational Reports submitted to IDC		Not measured	4	3	Total of 3 reports covering entire 2011/2012 financial year submitted, reports follow Board meetings.			33	Y	M	
				New Indicator	Number of reports submitted to EDP		100%	10	9	Only 9 meetings were held, this is due to cancellation from IDM and not EI			34	Y	M	
			Performance Management roll out to all employees	New Indicator	PMS rolled out to all staff by March 2012		Not measured	March 2012	Completed by March				35	Y	M	

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National KPA	IDP Objective	Departmental Objective	Key Performance Area (KPA)	Baseline Indicator	Key Performance Indicators (KPI)	Budget	2010/2011 Annual Actual	Annual Target	Annual Actual	Reasons for variance	Corrective measures	PMS Comments	Evidence Reference number	Weightings	Performance Symbols
Financial Viability management and Organisational capacity	Ensure adequate financial management	To secure funding stream for effective implementation of projects	Secure Funding	Funding secured not within timeframe 30 days	Turnaround time of securing all funding from IDC and iLembe District	Salaries	Not measured	6 months	100% by Dec 2011	Size Water Concession Funds were received.			36	Y	H
	Ensure adequate financial management	Ensure adequate financial management	Payment of creditors		% of claims submitted to Finance paid within 30 days	Salaries	Not measured	100%	100%	Suppliers are paid on weekly basis. That eliminates long overdue payments.			37	Y	H
	Ensure adequate financial management	Ensure adequate financial management	Compilation of Financial Statements 2010/2011.	Completed 2010/2011 financial statement by deadline.	Completed 2010/2011 financial statement by deadline.	Salaries	Not measured	31-Aug-11	100%	Financial statements were completed on time.			38	Y	H
	Ensure adequate financial management	Ensure adequate financial management	Complete Budget for 2012/2013.	2011/2012 Budget Approved	Approved Operating & Capital Budget for 2012/2013 by deadline	Salaries	Not measured	June 2012	Approved Budget	Budget has been approved by EXCO			39	Y	H
	Ensure adequate financial management	Ensure adequate financial management	Operational Expenditure	New Indicator	% quarterly operational expenditure as of planned expenditure (Actual/oper/budgeted open) x100	Salaries	Not measured	100%	60.02%	Reduction in travelling, local & international, R & D, youth summit, agency brochure and business attraction all underspent			40	Y	M
	Ensure adequate financial management	Procurement time in line with the SCM Policy	Supply Chain Management	New Indicator	Turnaround time for the SCM processes in recommending preferred supply to Departments (quotations, adverts etc)	Salaries	Not measured	60 days turnaround time	5.77 days				41	Y	H
	Ensure adequate financial management	Compliance with the SCM Policy	Supply Chain Management	New Indicator	Turnaround time for processing all the bids	Salaries	Not measured	63 days	54 days	There were no appointments made during the period under review			42	Y	H
	Ensure adequate financial management	To monitor the performance of the service providers with each department	Monitor service provider performance	New Indicator	Turnaround time of signing the SLA after the appointment of the service provider	Salaries	Not measured	30 days	30 days				43	Y	L
	Ensure adequate financial management	Ensure adequate financial management	Management of cash flow	New Indicator	Cash flow Management (Ability of Enterprise iLembe to meet its financial obligations) (Cost coverage)	Salaries	Not measured	30 days cash on hand	30 days			Evidence submitted does not indicate 30 days	44	Y	H
	To build systems and accountability for secure functionality, efficiency, effectiveness, and value for money including public participation	To improve transparency and accountability with Enterprise iLembe	Good Governance	New Indicator	Turnaround time in responding to IDCIAG auditors queries	Salaries	Not measured	2 days	2 days	24days			45	Y	M
Good Governance & Public Participation				Unqualified audit report	Unqualified Auditor General's Report	Salaries	Not measured	unqualified audit report	2010/2011 EI received unqualified audit.				46	Y	M

Performance Symbols			Weighting symbols		
Target met	In Progress	Target Not met	High	Medium	Low
			H	M	L
22	8	6	32	13	1
			Totals		
			46		

Performance Symbols			Weighting symbols		
Target met	In Progress	Target Not met	High	Medium	Low
			H	M	L
22	8	6	32	13	1
			Totals		
			46		